

HOUSING AUTHORITY OF THE CITY OF WESTWEGO, LOUISIANA
INDEPENDENT AUDITOR'S REPORT

YEAR 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

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CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-5 |
| Financial Statements | |
| Balance Sheet – Year Ended June 30, 2004 | 6 |
| Statement of Statement of Revenues, Expenses, and Changes in Fund Net Assets –Year Ended June 30, 2004 | 7 |
| Statement of Cash Flows –Year Ended June 30, 2004 | 8-9 |
| Notes to the Financial Statements Year Ended June 30, 2004 | 10-14 |
| Independent Auditor's Report on Compliance over Financial Reporting and on Compliance And Other Matters Required by <i>Government Auditing Standards</i> | 15 - 17 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 18 - 19 |
| Schedule of Findings and Questioned Costs | 20 - 22 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards | 23 |
| Notes to Schedule of Expenditures of Federal Awards | 24 |
| Schedule of Capital Fund Activity | 25 |
| Schedule of Prior Year Audit Findings | 26 |



Karen Johnson, CPA
A Professional Accounting Corporation

Office: 225-293-8300

Fax: 225-293-8303

Email: karen@kjcpa.com

www.kjcpa.com

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Westwego, Louisiana
Westwego, Louisiana

We have audited the accompanying basic financial statements of the Housing Authority of the City of Westwego, Louisiana (the Housing Authority) as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2004 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages three through five, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit and therefore do not express an opinion on the information.



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Fax: 225-293-8303

Email: karen@kjcpa.com

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Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A -133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority. The accompanying schedule of capital fund activity also is not a required part of the basic statements of the Housing Authority. It is presented for purposes of additional analysis as required by the U. S. Department of Housing and Urban Development. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Karen Johnson, CPA, APAC
Baton Rouge, Louisiana
November 18, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Housing Authority of the City of Westwego's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Authority's financial statements which begin on page 6.

FINANCIAL HIGHLIGHTS

The Authority's net assets increased by 8.55% as a result of this year's operations.

During the year, the Authority had operating and non-operating revenues that were \$611,724 more than the \$1,186,439 in operating and non-operating expenses. This compares to last year when revenues exceeded expenses by \$373,162.

Total cost of all of the Authority's programs decreased by \$16,685 or 1.39% over the FYE June 30, 2004.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

Reporting the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, the Authority as a whole better off or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information about the 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.

These two statements report the Authority's *net assets* and changes in them. You can think of the 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 or decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating.

Proprietary Funds

The Housing Authority of the City of Westwego, La (the Housing Authority) was created pursuant to the adoption of the United States Housing Act of 1937 to engage in the acquisition, development, and administration of a low income housing program to provide safe, sanitary, and affordable housing to the citizens of Westwego, Louisiana.

THE HOUSING AUTHORITY AS A WHOLE-CONTINUED

Proprietary Funds-These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

The Housing Authority's *combined* net assets increased by \$611,724 from a year ago.

| | <u>Net Assets</u> | |
|----------------------------|---------------------|---------------------|
| | FYE 6/30/04 | FYE 6/30/03 |
| Current and other assets | \$ 682,873 | \$ 693,127 |
| Capital assets | <u>7,187,740</u> | <u>6,624,697</u> |
| Total Assets | 7,870,613 | 7,317,824 |
| Current liabilities | <u>106,301</u> | <u>165,235</u> |
| | <u>\$ 7,764,312</u> | <u>\$ 7,152,589</u> |
| Net assets: | | |
| Invested in capital assets | \$ 7,187,740 | \$ 6,624,697 |
| Restricted | 33,059 | 41,115 |
| Unrestricted | <u>543,513</u> | <u>486,777</u> |
| Total net assets | <u>\$ 7,764,312</u> | <u>\$ 7,152,589</u> |

| | <u>Changes in Net Assets</u> | |
|--------------------------------------|------------------------------|-------------------|
| | FYE 6/30/04 | FYE 6/30/03 |
| Operating Revenues | \$ 967,826 | \$ 615,611 |
| Operating Expenses | <u>1,129,934</u> | <u>1,203,124</u> |
| Operating Loss | (162,108) | (587,513) |
| Non Operating Revenues & Expenses | <u>773,832</u> | <u>960,675</u> |
| Increase in Net Assets | <u>\$ 611,724</u> | <u>\$ 373,162</u> |

Business-type Activities

The Housing Authority's total revenues (excluding special items) increased by 14.08 percent (\$221,877). The total cost of all programs and services decreased by \$16,685 or 1.39 percent with no new programs added this year. Rental revenues increased by \$1,880 and revenues from the U.S. Department of Housing and Urban Development, interest income and other charges to tenants increased by \$219,997.

The Housing Authority's Funds

The Housing Authority only has one fund which is reported as a Proprietary Fund. The net assets of this fund increased by \$611,724 during the fiscal year ending June 30, 2004.

Budgetary Highlights

The Housing Authority adopts an operating budget that serves as a management tool. For the fiscal year ended June 30, 2004 the operating budget remained as originally adopted and was not amended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004 the Housing Authority had \$10,831,170 invested in Land, Buildings, Equipment & Furniture. This amount represents a net increase (including additions and deletions) of \$770,606 or 7.66 percent, over last year.

| | <u>FYE 6/30/04</u> | <u>FYE 6/30/03</u> |
|-----------------------|---------------------|---------------------|
| Land | \$ 2,264,014 | \$ 2,264,014 |
| Buildings | 8,166,823 | 7,406,632 |
| Equipment & Furniture | <u>400,333</u> | <u>389,918</u> |
| | <u>\$10,831,170</u> | <u>\$10,060,564</u> |

Debt

The Housing Authority has no long term debt as of June 30, 2004.

Economic Factors and Next Year's Budget

The Housing Authority's appointed officials considered many factors when setting the fiscal year June 30, 2004 budget. The Board's understanding of the Federal Agency's requirements influences the setting of capital projects. Rental rates charged to tenants are set by Federal guidelines and therefore cannot be adjusted to maximize revenues. Salaries were adjusted using guidelines for Civil Service employees and merit increases for non classified employees (the Executive Director and Assistant Director). The budget for fiscal year 2005 is planned to result in a healthy balance in undesignated net assets.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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 need additional financial information, contact the Executive Director at the Housing Authority of the City of Westwego, 1010 Sixth St., Westwego, La 70094.

Housing Authority of the City of Westwego, Louisiana
 Balance Sheet
 Proprietary Funds
 June 30, 2004

| | <u>General Fund</u> |
|--|-------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents (Note 2) | \$ 179,277 |
| Cash and cash equivalents - restricted | 33,059 |
| Accounts receivable (Note 3) | 105,231 |
| Accrued interest | 899 |
| Investments | 297,657 |
| Prepaid insurance | 58,001 |
| Inventories | 8,749 |
| Total current assets | <u>682,873</u> |
| Capital assets: | |
| Land and buildings, net (Note 4) | 7,081,462 |
| Equipment, net (Note 4) | 106,278 |
| Total capital assets | <u>7,187,740</u> |
| Total Assets | <u>\$ 7,870,613</u> |
| LIABILITIES AND FUND BALANCE | |
| Current liabilities: | |
| Accounts payable | \$ 45,871 |
| Accrued compensated absences | 27,922 |
| Tenant security deposits | 29,316 |
| Other current liabilities | 3,192 |
| Total current liabilities | <u>106,301</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 7,187,740 |
| Restricted | 33,059 |
| Unrestricted | 543,513 |
| Total net assets | <u>7,764,312</u> |
| Total liabilities and net assets | <u>\$ 7,870,613</u> |

Housing Authority of the City of Westwego, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2004

| | Program Fund |
|------------------------------|-------------------------|
| REVENUES | |
| Tenant rental revenue | \$ 617,491 |
| Operating subsidy grant | 312,135 |
| Other revenue | 38,200 |
| Total operating revenues | 967,826 |
| EXPENDITURES | |
| Current: | |
| Utilities | 273,284 |
| Maintenance | 230,387 |
| Depreciation | 224,594 |
| Administrative salaries | 129,639 |
| Insurance | 98,038 |
| Employee benefits | 54,774 |
| Legal and professional | 52,074 |
| Other expenses | 30,450 |
| Payment in lieu of taxes | 15,222 |
| Commissioner allowances | 9,000 |
| Telephone | 7,092 |
| Travel | 3,030 |
| Training | 2,350 |
| Total operating expenditures | 1,129,934 |
| Operating income (loss) | (162,108) |
| Nonoperating revenues | |
| Capital Fund grant revenue | 830,337 |
| Total nonoperating revenues | 830,337 |
| Nonoperating expenses | |
| Sundry | 56,505 |
| Total nonoperating expenses | 56,505 |
| Nonoperating income (loss) | 773,832 |
| Net changes in fund balance | 611,724 |
| Fund balance - beginning | 7,152,588 |
| Fund balance - ending | \$ 7,764,312 |

Housing Authority of the City of Westwego, Louisiana
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>2004</u> |
|---|-------------------|
| Dwelling rent receipts | 605,463 |
| Operating subsidy and grant receipts | 1,086,045 |
| <i>Other income receipts</i> | 30,042 |
| Interest income receipts | <u>7,259</u> |
| Total receipts | 1,728,809 |
| | |
| Administrative expenses paid | 221,057 |
| Tenant services expenses paid | 279,061 |
| Utilities expenses paid | 31,452 |
| Ordinary maintenance and operations expenses paid | 259,677 |
| General expenses paid | <u>203,010</u> |
| Total disbursements | 994,257 |
| | |
| <i>Net cash provided by operating activities</i> | 734,552 |
| | |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Property and equipment | (787,637) |
| Investments | <u>(7,250)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(794,887)</u> |
| | |
| NET INCREASE (DECREASE) IN CASH | (60,335) |
| | |
| Cash and cash equivalents, beginning | <u>272,671</u> |
| | |
| Cash and cash equivalents, ending | <u>\$ 212,336</u> |

Housing Authority of the City of Westwego, Louisiana
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

| | | |
|--|----|----------|
| Increase (Decrease) in Net Assets | \$ | 611,724 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation Expense | | 224,594 |
| (Increase) Decrease in operating assets | | |
| Accounts receivable | | (40,728) |
| Accrued interest | | (899) |
| Prepaid insurance | | (559) |
| Inventories | | (644) |
| Increase (Decrease) in operating liabilities | | |
| Accounts Payable | | (42,506) |
| Deferred Revenue | | (20,431) |
| Accrued Liabilities | | 4,877 |
| Tenant security deposits | | 1,960 |
| Other current liabilities | | (2,836) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ | 734,552 |

Housing Authority of the City of Westwego, Louisiana

Notes to the Financial Statements For the Year Ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FORMATION AND OPERATIONS

The Housing Authority of the City of Westwego, Louisiana (the Housing Authority) was created pursuant to the adoption of the United States Housing Act of 1937 to engage in the acquisition, development, and administration of a low income housing program to provide safe, sanitary, and affordable housing to the citizens of Westwego, Louisiana. Under the Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct oversight and financial responsibility for administering and overseeing low rent housing programs in the United States. To accomplish this task, HUD has entered into annual contributions contracts with the Housing Authority for the purpose of providing assistance to the Housing Authority to acquire, contract, and lease the housing units. The annual contributions or subsidies also aid in helping the Housing Authority maintain its low rent character.

The Board is composed of five members who are appointed by the Mayor of the City of Westwego, Louisiana. Members serve staggered year terms. However, the City has no financial responsibility for the Housing Authority and cannot impose its will on the Housing Authority. The Housing Authority cannot cause the City to incur any financial burden as a result of its financial decisions.

GASB Statement No. 14, *The Reporting Entity*, established 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 separately appointed governing body, is legally separate, and is fiscally independent of other state and 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 budget and set rates or charges.

B. MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

In accordance with both the Louisiana State Reporting Law (LAS-R.S. 24:514), the accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Housing Authority reports under the governmental proprietary fund type (enterprise fund). Enterprise 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. The focus for enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial advisor.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Housing Authority has elected to follow subsequent private sector guidance.

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Housing Authority of the City of Westwego, Louisiana

Notes to the Financial Statements
For the Year Ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits, cash on hand and time deposit accounts. The Housing Authority considers short-term (maturity of less than 90 days), highly liquid investments as cash equivalents. 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.

D. INVESTMENTS

Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments 90 or more days, they are classified as investments; however, if the original maturities are less than 90 days, they are classified as cash equivalents. Investments are carried at fair market value.

E. INVENTORIES

All purchased inventory items are valued at cost using the first-in/first-out method. Acquisition of material and supplies are accounted for on the purchase method. Inventory is charge when the item is purchased and expense is charged with the item is used.

F. CAPITAL ASSETS

Depreciation is computed using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------------|-------------------------------|
| Furniture, office equipment | 5 |
| Motor Vehicles | 5 |
| Buildings | 40 |
| Equipment | 5 |

Capital assets, which include property, plant, and equipment, are reported in the accompanying financial statements. Capital assets are capitalized at historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Housing Authority maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized on the last day of the fiscal year in which the projects are completed. The results of that method do not differ materially from generally accepted accounting principals.

Housing Authority of the City of Westwego, Louisiana

**Notes to the Financial Statements
For the Year Ended June 30, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. COMPENSATED ABSENCES

The Housing Authority's policies relating to vacation, sick leave, and compensatory time is summarized as follows:

Vacation and sick leave is determined by the number of years of service and accrues each pay period. Accrued vacation and sick leave is carried over from year to year. Upon an employee's termination, the employee will receive vacation he accrued.

In some cases employees can earn compensatory time in lieu of overtime. For each hour worked over the scheduled hours, the employee earns 1½ hours of compensatory time.

H. LONG-TERM OBLIGATIONS

Long-term obligations, including compensated absences, are expected to be financed from operating funds.

I. USE OF ESTIMATES

The preparation of financial statement 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 statement and the reported amounts of revenues, expenditures, and expenses during the period. Accordingly, actual results could differ from those estimates.

J. RESTRICTED ASSETS

Tenant deposits and capital fund project checking accounts are included in restricted assets. These two accounts are restricted for certain transactions.

K. PREPAID ITEMS

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

L. ENCUMBRANCES

The Housing Authority does not utilize encumbrance accounting.

M. OPERATING AND NONOPERATING REVENUES

Operating revenues include rents received from tenants as well as operating subsidy grant funds received from HUD. Interest and other income amounts are included as well.

Non operating revenue includes capital project fund grants received from HUD.

Housing Authority of the City of Westwego, Louisiana

Notes to the Financial Statements For the Year Ended June 30, 2004

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, the Housing Authority has cash and cash equivalents as follows:

| | Book Balances | Bank Balances |
|--|------------------|------------------|
| Non Interest bearing demand deposits | \$ 212,337 | \$ 251,096 |
| Interest bearing certificate of deposits | \$ 297,657 | \$ 297,657 |

Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these bank balances. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. These deposits are secured from risk by \$100,000 of federal deposit insurance and approximately \$1,100,000 of pledged securities held by the trust department of the fiscal agent bank

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the trust department of the fiscal agent bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The following is a summary of receivables at June 30, 2004:

| | Tenant | HUD |
|--------------------|---------|----------|
| Amounts receivable | \$8,239 | \$96,992 |

The Housing Authority believes all receivables will be paid within one year. Therefore, allowance for doubtful accounts is \$0.

4. CAPITAL ASSETS

| | Furniture and Equipment Dwellings | Furniture and Equipment Admin | Land | Buildings | Accumulated Depreciation | Totals |
|---------------------------------|---|-------------------------------------|--------------------|--------------------|-----------------------------|--------------------|
| <u>Balance at June 30, 2003</u> | \$ 280,414 | \$ 109,504 | \$2,264,014 | \$7,406,632 | \$(3,435,867) | \$6,624,697 |
| Additions | 22,681 | 4,765 | -0- | 760,191 | (224,594) | 563,043 |
| Disposals | <u>(17,031)</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>17,031</u> | <u>-0-</u> |
| <u>Balance at June 30, 2004</u> | <u>\$286,064</u> | <u>\$114,269</u> | <u>\$2,264,014</u> | <u>\$8,166,823</u> | <u>\$(3,643,430)</u> | <u>\$7,187,740</u> |

Depreciation expense recorded for the year ended June 30, 2004 was \$224,594.

5. COMPENSATED ABSENCES

At June 30, 2004 employees of the Housing Authority have accumulated and vested \$27,922 of vacation benefits and compensatory time.

Housing Authority of the City of Westwego, Louisiana

Notes to the Financial Statements For the Year Ended June 30, 2004

6. PENSION PLAN

The Housing Authority adopted the Housing-Renewal and Local Agency Retirement Plan which is a defined contribution pension plan. All employees are required to enter into the Housing Authority's retirement plan after one year of employment and they must be age 18 or older. Employee deferral is 5% of the basic employee compensation and the Housing Authority contributes 7%. Employees fully vest after 5 years of participating in the retirement plan. The Housing Authority contributed \$16,725 to the pension plan.

7. 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.

8. FEDERAL COMPLIANCE CONTINGENCIES

The Housing Authority is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing the Housing Authority's activities. These examinations may result in the Housing Authority receiving a lower HUD score and a reduced HUD subsidy.

9. ECONOMIC DEPENDENCY

The Housing Authority is economically dependent upon annual contributions and grants from HUD. HUD provided approximately 64% of the Housing Authority's revenue.

10. CONSTRUCTION COMMITMENTS

The Housing Authority has one active construction project as of June 30, 2004. The project is for renovations, additions and electrical improvements. At year end the commitments with contractors are as follows:

| <u>Project</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|--|----------------------|-----------------------------|
| Renovations, Additions, and Electrical Improvements | \$0 | \$271,300 |

11. RELATED PARTY TRANSACTIONS

The governing board of the Housing Authority receives a per diem of \$150 for each month of the board member's length of service. For the year ended June 30, 2004 the related party transactions were:

| <u>Name</u> | <u>Amount</u> |
|--------------|----------------|
| C. Sykes | \$1800 |
| D. Thibodaux | 1,800 |
| E. LeBlanc | 1,800 |
| P. Morris | 1,800 |
| W. Armondin | <u>1,800</u> |
| Total | <u>\$9,000</u> |



Karen Johnson, CPA
A Professional Accounting Corporation

Office: 225-293-8300

Fax: 225-293-8303

Email:

karen@kjcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Housing Authority of the City of Westwego, Louisiana

We have audited the basic financial statements of the Housing Authority of the City of Westwego, Louisiana (the Housing Authority) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that in our judgment, could adversely affect Housing Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Housing Authority in a separate letter dated November 18, 2004.

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



Karen Johnson, CPA
A Professional Accounting Corporation

Office: 225-293-8300

Fax: 225-293-8303

Email:

karen@kjcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

I. Lack of supporting documentation and errors in tenant files

Condition: Noted the following inconsistencies in tenant files regarding documentation and calculation errors:

Tenant did not sign the lease.

Mathematical errors on tenant's calculated monthly rent.

Tenant's income and/or medical allowances did not have the proper supporting documentation.

Criteria: All tenant files are required to have proper documentation to support all rent calculations. Income used to calculate the monthly rent should not have mathematical errors.

Effect: The tenant's monthly rent could be incorrect. Also the Housing Authority is at risk for a potential liability for lack of adequate documentation to support all rent calculations.

Recommendation: All tenant files should be reviewed by another Housing Authority employee to ensure all tenant files are properly documented and all calculations are correct.

Management Response: Tenant files will be reviewed by another Housing Authority employee to ensure all calculations are accurate and all documents are properly signed and located.



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II. Systematic process of purging tenant file documents dated prior to 1997

Condition: All application documentation for tenants who became residents of the Housing Authority's property prior to 1997 has been purged from the tenant files.

Criteria: All tenant files are required to have proper application documentation kept in their files while they remain tenants.

Effect: The Housing Authority is not in compliance with HUD regulations.

Recommendation: All application documents should be kept in a permanent file for each tenant to ensure the documents are not discarded during the tenant's time at the Housing Authority.

Management Response: The Housing Authority will ensure all tenant application documents are kept until the tenant is no longer a resident on their property.

This report is intended solely for the information and use of the board of commissioners, management and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Karen Johnson, CPA, APAC

Baton Rouge, Louisiana
November 18, 2004



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A Professional Accounting Corporation

Office: 225-293-8300

Fax: 225-293-8303

Email:

karen@kjcpa.com

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

To the Board of Commissioners of
Housing Authority of the City of Westwego, Louisiana

Compliance

We have audited the compliance of the Housing Authority of the City of Westwego, Louisiana (Housing Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Housing Authority's major federal programs are identified in the *summary of auditor's results section of the accompanying schedule of findings and questioned costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority's management. Our responsibility is to express an opinion on Housing Authority's compliance based on our audit.

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

As described in items 2004-1 through 2004-2 in the accompanying schedule of findings and questioned costs the Housing Authority did not comply with requirements regarding documentation required in the tenant files, construction contracts and procurement procedures.

In our opinion, except for the instances of noncompliance described in the preceding paragraph, the Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Karen Johnson, CPA, APAC

Baton Rouge, Louisiana
November 18, 2004

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

Section I- Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Housing Authority of the City of Westwego, Louisiana (Housing Authority).
2. No reportable conditions were disclosed during the audit of the financial statements is reported in this report.
3. Two instances of noncompliance, none of which are material to the financial statements of Housing Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Two reportable conditions in internal control over major federal award programs disclosed during the audit are reported in this report. These conditions are not reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Housing Authority expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:
 - a. Public and Indian Housing, Department of Housing and Urban Development (CFDA 14.850 and CFDA 14.872)
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Housing Authority did not qualify as a low-risk auditee.
10. There were no findings reported in the Schedule of Findings and Questioned costs in the prior year.

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

Section I- Findings – Financial Statement Audit

No findings are questioned costs.

Section II- Findings and Questioned Costs – Major Federal Award Programs Audit

2004-1 *Lack of supporting documentation and errors in tenant files*

Condition: Noted the following inconsistencies in tenant files regarding documentation and calculation errors:

Tenant did not sign the lease.

Mathematical errors on tenant's calculated monthly rent.

Tenant's income and/or medical allowances did not have the proper supporting documentation.

Criteria: All tenant files are required to have proper documentation to support all rent calculations. Income used to calculate the monthly rent should not have mathematical errors.

Effect: The tenant's monthly rent could be incorrect. Also the Housing Authority is at risk for a potential liability for lack of adequate documentation to support all rent calculations.

Recommendation: All tenant files should be reviewed by another Housing Authority employee to ensure all tenant files are properly documented and all calculations are correct.

Management Response: Tenant files will be reviewed by another Housing Authority employee to ensure all calculations are accurate and all documents are properly signed and located.

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

2004-2 Systematic process of purging tenant file documents dated prior to 1997

Condition: All application documentation for tenants who became residents of the Housing Authority's property prior to 1997 has been purged from the tenant files.

Criteria: All tenant files are required to have proper application documentation kept in their files while they remain tenants.

Effect: The Housing Authority is not in compliance with HUD regulations.

Recommendation: All application documents should be kept in a permanent file for each tenant to ensure the documents are not discarded during the tenant's time at the Housing Authority.

Management Response: We will ensure all tenant application documents are kept until three years after the tenant is no longer a resident on their property. The Housing Authority misunderstood the record retention requirement when purging their files of information older than seven years.

Housing Authority of the City of Westwego, Louisiana
 Schedule of Expenditures of Federal Awards
 June 30, 2004

| <u>FEDERAL GRANTOR/PROGRAM NAME</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity's Number</u> | <u>Activity</u> |
|--|--------------------------------|---|---------------------|
| U.S. Department of Housing and Urban Development | | | |
| Public Housing - Operating Subsidy | 14.850 | | \$ 312,135 |
| Public Housing - Capital Fund Program | 14.872 | | <u>873,972</u> |
| Total | | | <u>\$ 1,186,107</u> |

Housing Authority for the City of Westwego, Louisiana
Notes to Schedule of Expenditures of Federal Awards for the Year Ended
June 30, 2004

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." *Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.*

Housing Authority of the City of Westwego, Louisiana
Schedule of Capital Fund Activity
For the Year Ended June 30, 2004

The following capital fund programs are reported in the June 30, 2004 report:

| | Funds Approved And Advanced |
|-------------------------------------|--------------------------------|
| Capital Fund Program LA48P011501-00 | \$ 311,609 |
| Capital Fund Program LA48P011501-01 | \$ 600,860 |
| Capital Fund Program LA48P011501-02 | \$ 553,923 |

| | Actual Modernization Cost Certificate Submitted |
|-------------------------------------|--|
| Capital Fund Program LA48P011501-00 | January 13, 2004 |
| Capital Fund Program LA48P011501-01 | July 19, 2004 |
| Capital Fund Program LA48P011501-02 | July 19, 2004 |

These expenditures were tested and audited by Karen Johnson, CPA, APAC during our audit of the fiscal year ended June 20, 2004. These projects were competed with all budgeted funds expended. The Actual Modernization Costs Certificates were submitted to HUD on the dates noted.

Housing Authority of the City of Westwego, Louisiana
 Schedule of Prior Year Audit Findings
 For the year ended June 30, 2004

| Ref. No. | Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken | Planned Corrective Action or Partial Correction Action Taken |
|--|---|--|-------------------------------|--|
| Section I - Internal Control and Compliance Material to the Financial Statements | | | | |
| No findings. | | | | |
| Section II - Internal Control and Compliance Material to Federal Awards | | | | |
| No findings. | | | | |
| Section III - Management Letter | | | | |
| MGT. 03-01 | 2003 | Access to inventory items by many employees. | Resolved. | The locks to this room were changed. New keys were distributed to only two employees. |
| MGT. 03-02 | 2003 | Lack of health insurance coverage. | None needed | This finding was outside the scope of the audit. No corrective action is needed. Management disagrees. |
| MGT. 03-03 | 2003 | Lack of timely prepared financial statements. | Resolved. | Financial statements are prepared within two months after the close of the month. |
| MGT. 03-04 | 2003 | Lack of SAS 70 report from outside accountant. | None needed | This finding was outside the scope of the audit. No corrective action is needed. Management disagrees. |