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**HOUSING AUTHORITY OF THE
TOWN OF JONESBORO, LOUISIANA**

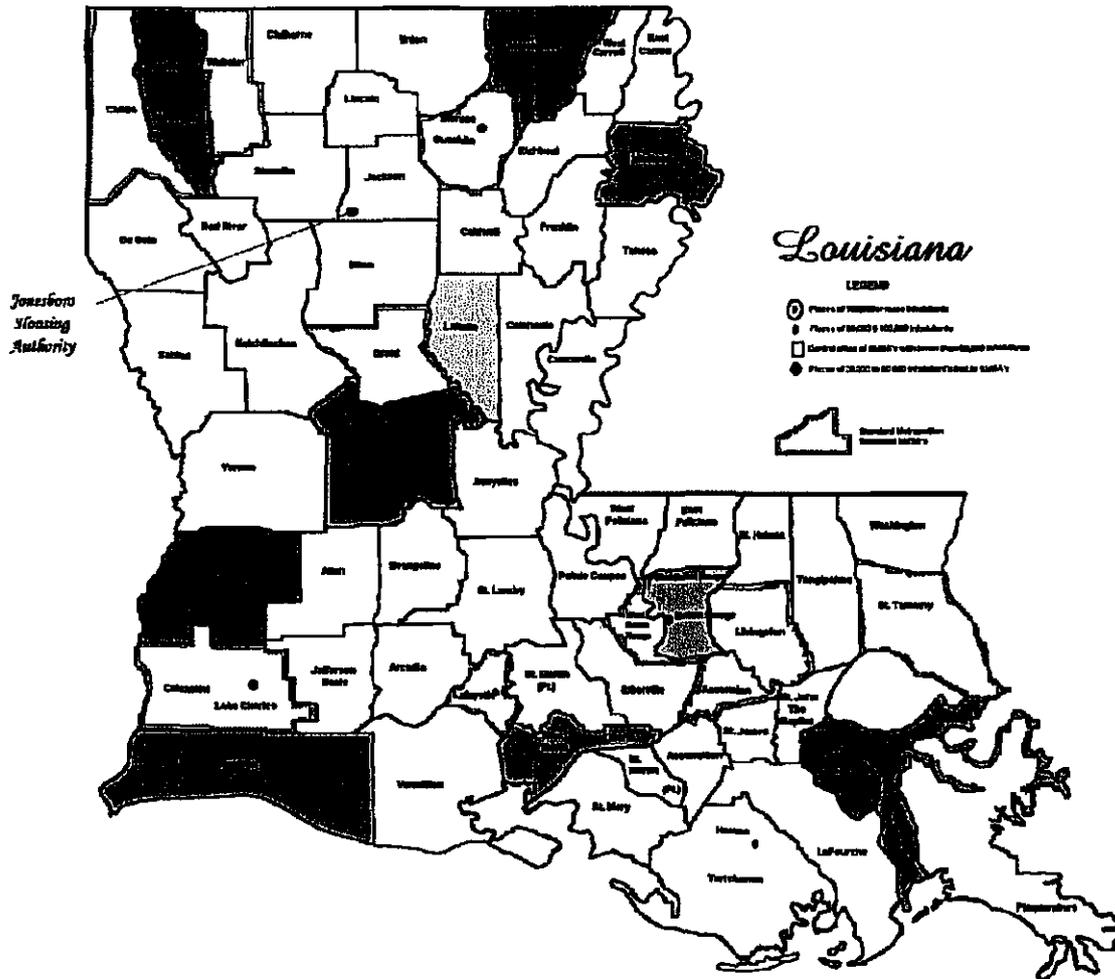
**Basic Financial Statements &
Independent Auditor's Reports**

September 30, 2006

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

Release Date 2-28-07

HOUSING AUTHORITY OF THE TOWN OF JONESBORO JONESBORO, LOUISIANA



◆ 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 income housing programs in the United States. Accordingly, HUD has contracted with the entity to administer certain HUD funds. The entity is a public corporation, legally separate, fiscally independent and governed by Board of Commissioners.

**Housing Authority of the
Town of Jonesboro, Louisiana**

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September 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Housing Authority of the
Town of Jonesboro, Louisiana

I have audited the accompanying basic financial statements of the Housing Authority of The Town of Jonesboro as of and for the year ended September 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Housing Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of The Town of Jonesboro, as of September 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 20, 2006, on my consideration of the Housing Authority of The Town of Jonesboro's internal control over financial reporting and on my test 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 my 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 considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the authority's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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. The accompanying Financial Data Schedule, required by HUD, and other supplemental schedules and statements are presented for purposes of additional analysis, and are also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, and other supplemental schedules and statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

John R. Vercher PC

December 20, 2006
Jena, Louisiana

**Housing Authority of the
Town of Jonesboro, Louisiana**

REQUIRED SUPPLEMENTAL INFORMATION

**MANAGEMENT DISCUSSION
& ANALYSIS (MD&A)**

September 30, 2006

**Housing Authority of the
Town of Jonesboro, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2006**

As management of the Housing Authority of The Town of Jonesboro, we offer readers of the authority's financial statements this narrative overview and analysis of the financial activities of the authority for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the authority's financial statements, which are attached.

Financial Highlights

- The assets of the authority exceeded its liabilities at the close of the most recent fiscal year by \$3,521,573 (net assets).
- As of the close of the current fiscal year, the authority's ending unrestricted net assets was \$1,122,088.
- The authority's cash balance at September 30, 2006 was \$113,009.
- The authority had total revenue of \$1,007,343, while expenses totaled \$968,611.
- The authority's capital outlay for the year was \$182,904.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the authority's basic financial statements. The authority's basic financial statements consist of the Statement of Net Assets, Statement of Revenue, Expenses and Changes in Net Assets, Statement of Cash Flows, and the notes to the financial statements. This report also contains the schedule of expenditures of federal award as supplementary information in addition to the basic financial statements themselves.

The authority has only one fund type, namely a proprietary fund. The Statement of Net Assets includes all of the authority's assets and liabilities. This fund type is unused for activities which are financed and operated in a manner similar to those in the private sector.

The authority has two main funding sources in its financial operation. These are the Low Rent Public Housing and the Capital Fund Programs. The Low Rent Program consists of 262 units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. The purpose of this program is to provide funding for low rent housing programs to allow them to make purchases and capital improvements for the current dwelling structures and assist in their operations.

The PHA financial position has improved over the previous year due to a net profit in operations.

The authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements.

**Housing Authority of the
Town of Jonesboro, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2006**

The table below lists the asset and liability comparisons for the year ended September 30, 2006.

| Statement of Net Assets | | | |
|------------------------------------|---------------------|---------------------|-----------------|
| Category | 2005 | 2006 | % Change |
| Current Assets | \$ 1,420,884 | \$ 1,185,754 | -12% |
| Capital Assets-Net of Depreciation | 2,149,026 | 2,399,485 | 12% |
| Total Assets | 3,569,910 | 3,585,239 | 0% |
| Current Liabilities | 65,215 | 42,252 | -35% |
| Non-Current Liabilities | -0- | 21,414 | 100% |
| Total Liabilities | 65,215 | 63,666 | -2% |
| Invested in Capital Assets (Net) | 2,149,026 | 2,399,485 | 12% |
| Unrestricted Net Assets | 1,355,669 | 1,122,088 | -17% |
| Total Net Assets | \$ 3,504,695 | \$ 3,521,573 | 0% |

The table below lists the revenue and expense comparisons for the year ended September 30, 2006.

| Statement of Revenues, Expenses and Changes in Net Assets | | | |
|--|-------------------|------------------|-----------------|
| Category | 2005 | 2006 | % Change |
| Operating Revenue: | | | |
| Tenant Revenue | \$ 291,229 | \$ 472,467 | 62% |
| HUD PHA Operating | 873,090 | 249,198 | -71% |
| Capital Grants | -0- | 259,492 | 100% |
| Investment Income | 18,786 | 26,186 | 39% |
| Other Income | 1 | -0- | -100% |
| Total Operating Revenue | 1,183,106 | 1,007,343 | -15% |
| Operating Expenses: | | | |
| Administrative | 240,241 | 256,877 | 7% |
| Tenants | 2,847 | 3,139 | 10% |
| Utilities | 12,836 | 14,457 | 13% |
| Maintenance | 354,831 | 361,704 | 2% |
| Taxes & Insurance | 87,466 | 97,433 | 11% |
| Depreciation | 186,455 | 235,001 | 26% |
| Total Operating Expense | 884,676 | 968,611 | 9% |
| Prior Period Adjustment | -0- | 20,293 | 100% |
| Net Operating Gain/Loss | \$ 298,430 | \$ 59,025 | -80% |

Cash decreased by \$58,088 as of September 30, 2006. The primary source of the decrease due to the net CFP operations income for the current year.

The Authority's unrestricted net assets decreased by \$233,581.

Operating revenues of the authority are generated principally from dwelling rents and HUD Operating Subsidies. The authority's revenues decreased by \$175,763. Operating Expenses increased by \$83,935.

**Housing Authority of the
Town of Jonesboro, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2006**

Capital Assets

As of September 30, 2006 the authority's investment in capital assets was \$2,399,485 (Net of accumulated depreciation). This investment included land, building, building improvements, dwelling equipment, and maintenance equipment.

Long Term Debt

The Authority does not have any long-term liabilities at this time.

Future Events that will impact the Authority

The authority relies heavily upon HUD operating subsidies. The amount appropriated has not currently been approved for the FYE 2007 year. Therefore, any results of budget shortfalls cannot be determined.

The authority is under a contract through its Capital Fund Program to continue with the work as stated above and incorporate any new work items into its operation.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following address:

Housing Authority of the Town of Jonesboro
839 Harvey Place
Jonesboro, LA 71251

Basic Financial Statements

**Housing Authority of the
Town of Jonesboro, Louisiana
Statement of Net Assets
September 30, 2006**

| | |
|---|---------------------|
| CURRENT ASSETS | |
| Cash & Investments | \$ 1,156,731 |
| Receivables (Net) | 3,205 |
| Prepaid Insurance | 24,331 |
| Inventory, Net of Allowance | 1,487 |
| TOTAL CURRENT ASSETS | <u>1,185,754</u> |
| NON-CURRENT ASSETS | |
| Capital Assets | 5,473,920 |
| Less Accumulated Depreciation | <u>(3,074,435)</u> |
| TOTAL NON-CURRENT ASSETS | <u>2,399,485</u> |
| TOTAL ASSETS | <u>3,585,239</u> |
| CURRENT LIABILITIES | |
| Accounts Payable | 29,754 |
| Accrued Wages/Payroll Taxes Payable | 5,511 |
| Accrued Compensated Absences | 6,987 |
| TOTAL CURRENT LIABILITIES | <u>42,252</u> |
| NON-CURRENT LIABILITIES | |
| Security Deposit Liability | 14,160 |
| Accrued Compensated Absences | 7,254 |
| TOTAL NON-CURRENT LIABILITIES | <u>21,414</u> |
| TOTAL LIABILITIES | <u>63,666</u> |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | 2,399,485 |
| Unrestricted | 1,122,088 |
| TOTAL NET ASSETS | <u>\$ 3,521,573</u> |

The accompanying notes are an integral part of this statement.

**Housing Authority of the
Town of Jonesboro, Louisiana
Statement Of Revenues, Expenses & Changes In Net Assets
Year Ended September 30, 2006**

| | |
|--|----------------------------|
| OPERATING REVENUES | |
| Rental Revenue | \$ 288,994 |
| Other Tenant Revenue | 183,473 |
| HUD Operating Grants | 249,198 |
| TOTAL OPERATING REVENUE | <u>721,665</u> |
| OPERATING EXPENSES | |
| General & Administrative | 246,797 |
| Repairs & Maintenance | 325,469 |
| Utilities | 14,457 |
| Tenant Services | 3,139 |
| Insurance | 69,979 |
| PILOT | 27,454 |
| Protective Services | 10,080 |
| Extraordinary Maintenance | 36,235 |
| <i>Depreciation</i> | 235,001 |
| TOTAL OPERATING EXPENSES | <u>968,611</u> |
| OPERATING INCOME (LOSS) | <u>(246,946)</u> |
| NONOPERATING REVENUE (EXPENSE) | |
| Capital Grants | 259,492 |
| Interest Income | 26,186 |
| TOTAL NONOPERATING REVENUE (EXPENSES) | <u>285,678</u> |
| PRIOR PERIOD ADJUSTMENTS | <u>20,293</u> |
| CHANGE IN NET ASSETS | <u>59,025</u> |
| TOTAL NET ASSETS -- BEGINNING | <u>3,462,548</u> |
| TOTAL NET ASSETS - ENDING | \$ <u>3,521,573</u> |

The accompanying notes are an integral part of this statement.

**Housing Authority of the
Town of Jonesboro, Louisiana
Statement Of Cash Flows
Year Ended September 30, 2006**

| | |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received From Tenants | \$ 467,843 |
| Cash Received From Government Operating Subsidy | 67,863 |
| Cash Payments to Suppliers for Goods & Services | (472,848) |
| Cash Payments to Employees for Services | (274,785) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(211,927)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Prior Period Adjustment | 20,293 |
| Subsidy From Federal Grants | 259,492 |
| Other | 1,718 |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>281,503</u> |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | |
| Acquisition of Capital Assets | (485,460) |
| NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES | <u>(485,460)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Cash Provided by Interest From Investments | 26,186 |
| Increase in Investments | 331,610 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>357,796</u> |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | (58,088) |
| CASH, BEGINNING OF YEAR | <u>171,097</u> |
| CASH, END OF YEAR | \$ <u>113,009</u> |

The accompanying notes are an integral part of this statement.

**Housing Authority of the
Town of Jonesboro, Louisiana
Statement Of Cash Flows
Year Ended September 30, 2006**

Reconciliation

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

| | | |
|--|----|----------------------|
| Operating Income (Loss) | \$ | <u>(246,946)</u> |
| Depreciation Expense | | 235,001 |
| (Increase) Decrease in Accounts Receivable | | (4,064) |
| (Increase) Decrease in Inventory | | 5,691 |
| (Increase) Decrease in Prepaid Insurance | | 2,547 |
| Increase (Decrease) in Accounts Payable | | (20,626) |
| Increase (Decrease) in Compensated Absences | | (1,635) |
| Increase (Decrease) in Deferred Revenues | | (181,335) |
| Increase (Decrease) in Tenant Security Deposits | | <u>(560)</u> |
| TOTAL ADJUSTMENTS | | <u>35,019</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | <u>(211,927)</u> |
| LISTING OF NONCASH INVESTING, CAPITAL, & FINANCIAL ACTIVITIES | | |
| Contributions of Capital Assets From Government | \$ | <u>-0-</u> |

**Housing Authority of the
Town of Jonesboro, Louisiana**

NOTES TO THE BASIC FINANCIAL STATEMENTS

INTRODUCTION

The Housing Authority of the Town of Jonesboro is a 191 unit apartment complex for persons of low income located in Jonesboro, Louisiana. The Authority is chartered as a public corporation for the purpose of administering decent, safe and sanitary dwelling for persons of low-income.

Legal title to the Authority is held by the Housing Authority of the Town of Jonesboro, Louisiana, a non-profit corporation. The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of Jonesboro, Louisiana. Each member serves a four-year term. Substantially all of the Authority's revenue is derived from subsidy contracts with the U. S. Department of Housing and Urban Development (HUD). The annual contributions contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities for eligible individuals.

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-income housing programs in the United States. Accordingly, HUD has entered into a contract with the entity to make annual contributions (subsidies) for the purpose of funding its programs for low-income families.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the Housing Authority is legally separated and fiscally independent, the Housing Authority is a separate governmental reporting entity. The Housing Authority includes all funds, account groups, activities, etc., that are within the oversight responsibility of the Housing Authority.

The Housing Authority is a related organization of the Town of Jonesboro because the Town of Jonesboro appoints a voting majority of the Housing Authority's governing board. The Town of Jonesboro is not financially responsible for the Housing Authority, as it cannot impose its will on the Housing Authority and there is no possibility for the Housing Authority to provide financial benefit to, or impose financial burdens on, the Town of Jonesboro. According, the Housing Authority is not a component unit of the financial reporting entity of the Town of Jonesboro.

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. BASIC FINANCIAL STATEMENTS

The basic financial statements (i.e., the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the activities of the authority.

**Housing Authority of the
Town of Jonesboro, Louisiana**

NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

The basic financial statements are reported using 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.

The accompanying financial statements include the activities of several housing programs subsidized by HUD. A summary of each significant program is provided below.

- **Low Income Housing Program** – The purpose of the low income housing program is to provide decent and affordable housing to low income families at reduced rents. The developments are owned, maintained and managed by the authority. The developments are acquired, developed and modernized under HUD's capital funds programs. Funding of the program operations is provided via federal annual contribution contracts (operating subsidies) and tenant rents (determined as a percentage of family income, adjusted for family composition).
- **Capital Fund Program** – The objective of these programs is to improve the physical condition of the Low-Income Public Housing units and upgrade the management of the program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the 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 their same limitation. The authority has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of Interfund activity has been eliminated from the basic financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

Operating revenues and expenses have been reported separately from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The primary operating revenue of the housing authority is derived from tenant revenues and operating grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the housing authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Housing Authority of the
Town of Jonesboro, Louisiana**

NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)

C. DEPOSITS & INVESTMENTS

The authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the authority's investment policy allow the housing authority to invest in collateralized certificated of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments (bank certificate of deposits in excess of 90 days) for the authority are reported at fair value.

D. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year referred to as either "due to/from other funds" (i.e., the current portion of Interfund loans) or "advances to/from other funds" (i.e., the non-current portion of Interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the accompanying financial statements, are offset by a restriction on net assets. All trade and other receivables are shown net of an allowance for uncollectables.

E. INVENTORIES & PREPAID ITEMS

All inventories are valued at cost using the first-in/first out method. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both basic and fund financial statements.

F. CAPITAL ASSETS

Capital assets, which include land, buildings, improvements, and equipment, are reported in columns in the basic financial statements. Capital assets are capitalized at historical cost. The PHA 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 as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| | |
|------------------------|----------|
| Buildings | 20 Years |
| Buildings Improvements | 10 Years |
| Nondwelling Structures | 10 Years |
| Vehicles | 5 Years |

**Housing Authority of the
Town of Jonesboro, Louisiana**

NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)

G. COMPENSATED ABSENCES

The authority follows the civil service guidelines for vacation and sick leave. Employee's time is accumulated in accordance to hours worked per month. At year-end, time not used is accumulated.

At September 30, 2006, employees of the PHA had accumulated and vested \$14,241 of employee leave benefits, computed in accordance with GASB Codification Section C60. The balance of accrued compensated absences at September 30, 2006 was \$6,987 recorded as current obligation and \$7,254 recorded as non-current obligation.

H. EXTRAORDINARY & SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the housing authority, which are either unusual in nature or infrequent in occurrence.

I. ESTIMATES

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

2. CASH AND INVESTMENTS (CD'S IN EXCESS OF 90 DAYS)

At September 30, 2006, the housing authority had cash and investments (book balances) totaling \$1,156,731 as follows:

| | |
|-----------------|---------------------|
| Demand deposits | \$ 113,009 |
| Time deposits | <u>1,043,722</u> |
| Total | <u>\$ 1,156,731</u> |

These deposits are stated at cost, which approximated market. 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 September 30, 2006, the authority had \$1,195,026 in deposits (collected bank balances). These deposits are secured from risk by \$375,722 of federal deposit insurance and \$1,083,661 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

**Housing Authority of the
Town of Jonesboro, Louisiana**

NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the authority or its agent in the authority's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the authority's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the authority's name.

| | |
|------------------------------|----------------------------|
| | Bank Balance |
| | 09/30/2006 |
| Cash and Investments in Bank | \$ <u>1,195,026</u> |
| <i>Secured as Follows:</i> | |
| FDIC (Category - 1) | 375,722 |
| Securities (Category - 2) | <u>1,083,661</u> |
| Total Securities | \$ <u>1,459,383</u> |

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2006 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------------|----------------------|----------------------------|
| Capital Assets | | | | |
| Land | \$ 680,738 | \$ -0- | \$ -0- | \$ 680,738 |
| Building & Improvements | 3,800,246 | 746,751 | -0- | 4,546,997 |
| Furniture & Equipment | 246,185 | -0- | -0- | 246,185 |
| Construction in Progress | 261,291 | (261,291) | -0- | -0- |
| Total Capital Assets | <u>4,988,460</u> | <u>485,460</u> | <u>-0-</u> | <u>5,473,920</u> |
| Less Accumulated Depreciation | (2,839,434) | (235,001) | -0- | (3,074,435) |
| Capital Assets, Net of Accumulated Depreciation | \$ <u>2,149,026</u> | \$ <u>250,459</u> | \$ <u>-0-</u> | \$ <u>2,399,485</u> |

Land in the amount of \$680,738 is not being depreciated.

4. LONG-TERM OBLIGATIONS

To provide for the development and modernization of low-rent housing units, the PHA issued New Housing Authority Bonds and Permanent Notes-FFB. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the authority, and accordingly, have not been reported in the accompanying financial statements. This debt has been reclassified to HUD equity.

**Housing Authority of the
Town of Jonesboro, Louisiana**

NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)

5. BOARD OF COMMISSIONERS

| <u>Name</u> | <u>Title</u> |
|-----------------|---------------|
| Sam Ledbetter | Chairman |
| Corra Barr | Vice-Chairman |
| Notie Belton | Board Member |
| Sharon Satcher | Board Member |
| Viola Dickerson | Board Member |

The board members of the housing authority received no compensation for their services.

6. ECONOMIC DEPENDENCY

Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing & Urban Development provided \$508,690 to the housing authority, which represents approximately 50% of the housing authority's revenues for the year.

7. CONTINGENT LIABILITIES & SUBSEQUENT EVENTS

At September 30, 2006, the housing authority is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the housing authority in the current and prior years. These examinations may result in required refunds by the housing authority to federal grantors and/or program beneficiaries.

8. PENSION PLAN

The housing authority contributes to the Argent Financial Group, which is a defined contribution pension plan.

A defined contribution plan provides pension benefits in return for services rendered, provided an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contributions pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account. As established by the PHA's personnel policy, all full time employees of the PHA must participate in the pension plan beginning six months from the date they are hired. Contributions made by the employee vest immediately and contributions made by the housing authority vest after five years of full time employment. An employee who waves the employment of the PHA is entitled to his or her contributions and the PHA's contributions to the extent vested and the earnings on these amounts. As determined by the plan provisions, each employee must contribute 5.5% of his or her base annual salary to the pension plan. The PHA is required to contribute an amount equal to 8% of the employee's base salary.

The housing authority total covered payroll for the year ended September 30, 2006 was \$247,270.

The housing authority's contribution for the year ended September 30, 2006 was \$19,669 and the total pension contribution for the year was \$33,191.

Supplementary Information

**Housing Authority of the
Town of Jonesboro, Louisiana**

**Statement & Certification of Actual Modernization Cost
Annual Contribution Contract
September 30, 2006**

| | CFP Project 2006 | CFP Project 2005-501 | Total |
|--|---------------------------------|-------------------------------------|--------------|
| 1. The Actual Modernization Costs are as follows: | | | |
| Funds Approved Total | \$ 259,492 | \$ 276,747 | \$ 536,239 |
| Funds Expended Y-T-D | (259,492) | (276,747) | (536,239) |
| Excess of Funds Approved | -0- | -0- | -0- |
| 2. Funds Advanced Y-T-D | 259,492 | 276,747 | 536,239 |
| Funds Expended Y-T-D | (259,492) | (276,747) | (536,239) |
| Excess of Funds Advanced | \$ -0- | \$ -0- | \$ -0- |

3. The distribution of costs by project as shown on the final schedule of Capital Fund expenditures accompanying the actual Capital Fund cost certificate submitted to HUD for approval is in agreement with the PHA's records.

4. All Capital Fund costs have been paid and all related liabilities have been discharged through payment.

JOHN R. VERCHER PC
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Housing Authority of the
Town of Jonesboro, Louisiana

I have audited the financial statements of the Housing Authority of the Town of Jonesboro as of and for the year ended September 30, 2006, and have issued my report thereon dated December 20, 2006. I conducted my 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 my audit, I considered the Housing Authority of the Town of Jonesboro's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Jonesboro's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

John R. Vercher PC

December 20, 2006
Jena, Louisiana

MEMBER
— AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS —
SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

Housing Authority of the
Town of Jonesboro, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the Town of Jonesboro, 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 September 30, 2006. The Housing Authority of the Town of Jonesboro'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 the Housing Authority of the Town of Jonesboro's management. My responsibility is to express an opinion on the Housing Authority of the Town of Jonesboro's compliance based on my audit.

I conducted my 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 I 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 the Housing Authority of the Town of Jonesboro's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide legal determination on the Housing Authority of the Town of Jonesboro's compliance with those requirements.

In my opinion, the Housing Authority of the Town of Jonesboro, Louisiana, 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 September 30, 2006.

Internal Control Over Compliance

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

My 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 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 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Legislator Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties; however, this document is public record and its distribution is not limited.

John R. Vercher PC

December 20, 2006
Jena, Louisiana

**Housing Authority of the
Town of Jonesboro, Louisiana**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006**

| U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | Federal CFDA Number | Agency Or Pass-Through Number | Federal Disbursements/ Expenditures |
|--|------------------------------------|--|--|
| Low Rent Public Housing | 14.850 | N/A | \$ 249,198 |
| Public Housing Capital Fund Program | 14.872 | N/A | 259,492 |
| Total Federal Expenditures | | | <u>\$ 508,690</u> |

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Single Audit Requirements

In July 1996, the Single Audit Act Amendments of 1996 (1996 Act) were enacted and superseded the Single Audit Act of 1984. In June 1997 OMB issued a revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to implement the changes from the 1996 Act and to rescind Circular A-128. The new requirements state that an entity expending \$500,000 or more of federal funds adhere to the requirements of Single Audit.

The funds used to account for these funds use the accrual basis of accounting.

Presented for purposes of additional analysis only.

Other Reports

**HOUSING AUTHORITY OF THE
TOWN OF JONESBORO, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended September 30, 2006**

Section II Financial Statement Findings Required To Be Reported In Accordance With GAGAS

No items to report.

Section III Federal Awards Findings and Questioned Costs

No items to report.

Section IV Federal Awards Findings and Questioned Costs.

No items to report.

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MANAGEMENT LETTER COMMENTS

During the course of my audit, I observed conditions and circumstances that may be improved. Below are findings noted for improvement, my recommendation for improvement and the Housing Authority's plan for corrective action.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

There are no current year management letter comments.

**HOUSING AUTHORITY OF THE
TOWN OF JONESBORO, LOUISIANA**

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Housing Authority of the Town of Jonesboro has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended September 30, 2005.

PRIOR YEAR FINDINGS

2005-M-1 PILOT (Resolved)

Finding: A review of PILOT activity revealed that the reported balance on un-audited financial statement was incorrect. Also PHA owes two years of PILOT that appears to have arisen during Fiscal Year 2002 when no payments were made to the School Board or the Town of Jonesboro. PHA needs to pay \$47,713.89 of PILOT amounts within the next 90 days.

Authority's Corrective Action: The 2002 PILOT and the 2005 PILOT checks totaling \$47, 713.89 were hand delivered to the Town of Jonesboro and the Jackson Parish School Board.

2005-M-2 Investments (Resolved)

Finding: The PHA needs to improve controls over investments. Accrued interest payable and Insurance Proceeds received but not expended as of September 30, 2005 were not adequately recorded. In addition, a C/D had an account number changed and was reported twice in the amount of \$24,035.90. These errors relate to a miscommunication with the outside fee accountant responsible for the un-audited FDS rather than a reportable control deficiency. We recommend that the PHA establish a quarterly summary that provides a one-page at a glance snapshot for all investment activity that is agreed back to the general ledger.

Authority's Corrective Action: The PHA has established a one-page Investment Summary which at a glance reveals the Investment activity that agrees back to the General Ledger. A copy is sent to the fee accountant on a monthly basis to prevent any miscommunication in the future.

2005-M-3 Inspections (Resolved)

Finding: The PHA needs to improve documentation over Move-in Inspections and we recommend that tenant's signature be obtained upon acceptance of the unit. This will supplement the videos being maintained. In addition, all inspection forms should be completely filled out and filed in a standard location in each file.

Authority's Corrective Action: The PHA immediately added the Move In form in each new applicant file requiring the tenant to sign when accepting the unit. The PHA will continue to video the apartment before each new family moves in and will keep them on file.

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS
CONTINUED**

2005-M-4 Budget (Resolved)

Finding: A review of Budget revision #1 revealed that several expenditure line-items on the un-audited FDS were in excess of approved amounts. In addition, the revenue amounts did not appear to have any relationship to actual amounts. Administrative expenses were over budget by \$38,101, Utilities by \$1,896 and Ordinary Maintenance by \$29,865. A large portion of this can be traced to an 8% incentive bonus plan awarded to employees and paid out in October 2004. We recommend that the PHA aggressively monitor its expenditure activity in relation to its budget and that revisions be approved by the Board when needed. Given that the PHA's expenditure level is in excess of HUD established peer limits, the PHA receives zero points for the expenditure level MASS indicator. The PHA needs to aggressively cut costs wherever possible.

Authority's Corrective Action: The PHA will aggressively monitor and cut costs wherever possible in its expenditures in relation to the Budget. Revisions if needed will be approved by the Board.

2005-M-5 Capital Assets (Resolved)

Finding: A review of capital assets revealed that enough improvement was made to remove the prior period finding. We recommend that the PHA carefully review all expenditure activity to insure that all amounts are appropriately capitalized. The PHA should review all expenses when incurred to determine whether they are of a capital nature or not. This determination will facilitate capital asset presentation. We recommend that all charges to maintenance materials be closely scrutinized to insure that all eligible items are capitalized. We noted many items purchased for cabinetry, plumbing and other items that if utilized in renovation activity that could possibly be capitalized and could help reduce maintenance expense if part of a concerted modernization activity.

Authority's Corrective Action: The PHA reviews all expenditures to insure that they are appropriately capitalized with special attention to maintenance materials that are eligible to be capitalized.

| Line Item No. | Account Description | Low Rent Public Housing | Public Housing Capital Fund Program | Total |
|---------------|--|-------------------------|-------------------------------------|--------------|
| 111 | Cash - Unrestricted | \$113,009 | \$0 | \$113,009 |
| 100 | Total Cash | \$113,009 | \$0 | \$113,009 |
| 126 | Accounts Receivable - Tenants - Dwelling Rents | \$3,271 | \$0 | \$3,271 |
| 126.1 | Allowance for Doubtful Accounts - Dwelling Rents | \$-66 | \$0 | \$-66 |
| 120 | Total Receivables, net of allowances for doubtful accounts | \$3,205 | \$0 | \$3,205 |
| 131 | Investments - Unrestricted | \$1,043,722 | \$0 | \$1,043,722 |
| 142 | Prepaid Expenses and Other Assets | \$24,331 | \$0 | \$24,331 |
| 143 | Inventories | \$1,488 | \$0 | \$1,488 |
| 143.1 | Allowance for Obsolete Inventories | \$-1 | \$0 | \$-1 |
| 150 | Total Current Assets | \$1,185,754 | \$0 | \$1,185,754 |
| 161 | Land | \$680,738 | \$0 | \$680,738 |
| 162 | Buildings | \$4,285,706 | \$0 | \$4,285,706 |
| 163 | Furniture, Equipment & Machinery - Dwellings | \$55,578 | \$0 | \$55,578 |
| 164 | Furniture, Equipment & Machinery - Administration | \$190,807 | \$0 | \$190,807 |
| 165 | Leasehold Improvements | \$261,291 | \$0 | \$261,291 |
| 166 | Accumulated Depreciation | \$-3,074,435 | \$0 | \$-3,074,435 |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | \$2,399,485 | \$0 | \$2,399,485 |
| 180 | Total Non-Current Assets | \$2,399,485 | \$0 | \$2,399,485 |
| 190 | Total Assets | \$3,585,239 | \$0 | \$3,585,239 |

| Line Item No. | Account Description | Low Rent Public Housing | Public Housing Capital Fund Program | Total |
|---------------|---|-------------------------|-------------------------------------|-------------|
| 312 | Accounts Payable <= 90 Days | \$2,300 | \$0 | \$2,300 |
| 321 | Accrued Wage/Payroll Taxes Payable | \$5,511 | \$0 | \$5,511 |
| 322 | Accrued Compensated Absences - Current Portion | \$8,987 | \$0 | \$8,987 |
| 333 | Accounts Payable - Other Government | \$27,454 | \$0 | \$27,454 |
| 341 | Tenant Security Deposits | \$14,160 | \$0 | \$14,160 |
| 310 | Total Current Liabilities | \$56,412 | \$0 | \$56,412 |
| 354 | Accrued Compensated Absences - Non Current | \$7,254 | \$0 | \$7,254 |
| 350 | Total Noncurrent Liabilities | \$7,254 | \$0 | \$7,254 |
| 300 | Total Liabilities | \$63,666 | \$0 | \$63,666 |
| 508 | Total Contributed Capital | \$0 | \$0 | \$0 |
| 508.1 | Invested in Capital Assets, Net of Related Debt | \$2,399,485 | \$0 | \$2,399,485 |
| 511 | Total Reserved Fund Balance | \$0 | \$0 | \$0 |
| 511.1 | Restricted Net Assets | \$0 | \$0 | \$0 |
| 512.1 | Unrestricted Net Assets | \$1,122,088 | \$0 | \$1,122,088 |
| 513 | Total Equity/Net Assets | \$3,521,573 | \$0 | \$3,521,573 |
| 600 | Total Liabilities and Equity/Net Assets | \$3,585,239 | \$0 | \$3,585,239 |

PHA: LA061 FYED: 09/30/2006

| Line Item No. | Account Description | Low Rent Public Housing | Public Housing Capital Fund Program | Total |
|---------------|----------------------------------|-------------------------|-------------------------------------|-------------|
| 703 | Net Tenant Rental Revenue | \$288,994 | \$0 | \$288,994 |
| 704 | Tenant Revenue - Other | \$183,473 | \$0 | \$183,473 |
| 705 | Total Tenant Revenue | \$472,467 | \$0 | \$472,467 |
| 706 | HUD PHA Operating Grants | \$249,198 | \$259,492 | \$508,690 |
| 711 | Investment Income - Unrestricted | \$26,186 | \$0 | \$26,186 |
| 700 | Total Revenue | \$747,851 | \$259,492 | \$1,007,343 |

PHA: LA061 FYED: 09/30/2006

| Line Item No. | Account Description | Low Rent Public Housing | Public Housing Capital Fund Program | Total |
|---------------|--|-------------------------|-------------------------------------|------------|
| 911 | Administrative Salaries | \$141,174 | \$0 | \$141,174 |
| 912 | Auditing Fees | \$5,020 | \$0 | \$5,020 |
| 915 | Employee Benefit Contributions - Administrative | \$56,816 | \$0 | \$56,816 |
| 916 | Other Operating - Administrative | \$43,654 | \$0 | \$43,654 |
| 924 | Tenant Services - Other | \$3,139 | \$0 | \$3,139 |
| 931 | Water | \$1,472 | \$0 | \$1,472 |
| 932 | Electricity | \$9,846 | \$0 | \$9,846 |
| 933 | Gas | \$3,139 | \$0 | \$3,139 |
| 941 | Ordinary Maintenance and Operations - Labor | \$131,976 | \$0 | \$131,976 |
| 942 | Ordinary Maintenance and Operations - Materials and Other | \$95,861 | \$0 | \$95,861 |
| 943 | Ordinary Maintenance and Operations - Contract Costs | \$47,040 | \$0 | \$47,040 |
| 945 | Employee Benefit Contributions - Ordinary Maintenance | \$50,592 | \$0 | \$50,592 |
| 952 | Protective Services - Other Contract Costs | \$10,080 | \$0 | \$10,080 |
| 961 | Insurance Premiums | \$89,979 | \$0 | \$89,979 |
| 963 | Payments in Lieu of Taxes | \$27,454 | \$0 | \$27,454 |
| 964 | Bad Debt - Tenant Rents | \$133 | \$0 | \$133 |
| 969 | Total Operating Expenses | \$697,375 | \$0 | \$697,375 |
| 970 | Excess Operating Revenue over Operating Expenses | \$50,476 | \$259,492 | \$309,968 |
| 971 | Extraordinary Maintenance | \$36,024 | \$0 | \$36,024 |
| 972 | Casualty Losses - Non-Capitalized | \$211 | \$0 | \$211 |
| 974 | Depreciation Expense | \$235,001 | \$0 | \$235,001 |
| 900 | Total Expenses | \$988,611 | \$0 | \$988,611 |
| 1001 | Operating Transfers In | \$259,492 | \$0 | \$259,492 |
| 1002 | Operating Transfers Out | \$0 | \$-259,492 | \$-259,492 |
| 1010 | Total Other Financing Sources (Uses) | \$259,492 | \$-259,492 | \$0 |
| 1000 | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | \$38,732 | \$0 | \$38,732 |

PHA: LA061 FYED: 09/30/2006

| Line Item No. | Account Description | Low Rent Public Housing | Public Housing Capital Fund Program | Total |
|---------------|---|-------------------------|-------------------------------------|-------------|
| 1102 | Debt Principal Payments - Enterprise Funds | \$0 | \$0 | \$0 |
| 1103 | Beginning Equity | \$3,462,548 | \$0 | \$3,462,548 |
| 1104 | Prior Period Adjustments, Equity Transfers and Correction of Errors | \$20,293 | \$0 | \$20,293 |
| 1120 | Unit Months Available | 2,292 | 0 | 2,292 |
| 1121 | Number of Unit Months Leased | 2,196 | 0 | 2,196 |