

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA**

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Release Date

11/1/06

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
**Housing Authority of Rapides Parish**  
Boyce, Louisiana

We have audited the accompanying statement of net assets-enterprise fund of **Housing Authority of Rapides Parish (HARP)**, as of December 31, 2005, and the related statements of revenues, expenses and changes in fund net assets and cash flows - enterprise fund for the year then ended. These financial statements are the responsibility of **HARP'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 of America. 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 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 financial position of **HARP** as of December 31, 2005, and the respective changes in net assets and cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Commissioners  
**Housing Authority of Rapides Parish**  
Boyce, Louisiana  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2006, on our consideration of **HARP's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of testing of 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 considering the results of our audit. Also, that report contained instances of non-compliance.

The management's discussion and analysis on pages 3 through 9 is not a required part of the accompanying financial statements but is 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 the information and express no opinion on it.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 7, 2006

**HOUSING AUTHORITY OF RAPIDES PARISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005**

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As management of **Housing Authority of Rapids Parish (HARP)**, we offer readers of **HARP's** financial statements this narrative overview and analysis of the financial activities of **HARP** for the years ended December 31, 2005 and 2004. We encourage readers to consider the information presented here in conjunction with **HARP's** audited financial statements.

**FINANCIAL HIGHLIGHTS**

The assets of **HARP** exceeded its liabilities by \$3,161,750 and \$3,489,264 at December 31, 2005 and 2004. Of these amounts, \$647,673 and \$700,753 (*unrestricted net assets*) may be used to meet **HARP's** ongoing obligations to citizens and creditors.

The remainder of \$2,514,077 and \$2,788,511 at December 31, 2005 and 2004, represent for each year, a restriction equal to the net amount invested in land, building and building improvements and construction-in-progress.

**HARP's** significant operating expenses for the periods ended December 31, 2005 and 2004, were salaries and related benefits, depreciation, utilities, insurance and housing assistance payments to landlords participating in its Housing Choice Voucher Program.

Grants and subsidies from the United States Housing and Urban Development constitutes 99% of its non-operating revenues with dwelling income accounting for 100% of its operating revenues for the years ended December 31, 2005 and 2004.

In May and June of 2004, a total of four dwelling units in **HARP's** housing stock were destroyed by fire. During 2005, **HARP** received insurance proceeds totaling \$165,244.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**DECEMBER 31, 2005**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to **HARP's** basic financial statements. **HARP's** basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. **HARP** is a special-purpose entity engaged in one business-type activity. Accordingly, only fund financial statements are presented as the basic financial statements.

On January 1, 2004, **HARP** adopted *Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*.

**REPORTING ON HARP AS A WHOLE**

One of the most important questions asked about **HARP's** finances, "Is **HARP** as a whole better off, or worse off, as a result of the achievements of fiscal years 2005 and 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report information about **HARP** 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* 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 and/or spent.

**FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. **HARP**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. **HARP** has three federally funded programs that are consolidated into a single enterprise fund.

Low Rent Public Housing - **HARP's** Low Rent Public Housing Program, rents housing units to low-income families. The Low Rent Public Housing Program is operated under an Annual Contributions Contract with HUD. HUD provides an operating subsidy to enable **HARP** to provide housing at a rent that is based upon 30% of adjusted gross household income of the participant.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**DECEMBER 31, 2005**

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**FUND FINANCIAL STATEMENTS, CONTINUED**

Capital Fund Program (CFP) - The Low Rent Public Housing Program also includes the CFP as the primary funding source for HARP's physical and management improvements. CFP funding is provided by formula allocation and based upon size and age of HARP's units.

Section 8 Housing Assistance-Housing Choice Vouchers- The Housing Choice Voucher Program, assists low income families with their rental payments in the private market. A housing assistance payment is paid directly to landlords on behalf of the families on the program. The families pay the difference between the rent charged by the landlord and the housing assistance payment provided by the program. HARP is paid by HUD to administer the program.

**USING THIS ANNUAL REPORT**

HARP's annual report consists of financial statements that show information about HARP's enterprise fund.

Our auditor has provided assurance in his independent auditor's report located immediately preceding this MD&A, that the basic financial statements are fairly stated. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

**REPORTING ON HARP's MOST SIGNIFICANT FUND**

HARP's financial statements provide detailed information about its most significant fund. Some funds are required to be established by HUD. However, HARP may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. HARP's enterprise fund used the following accounting approach:

Proprietary Funds - All of HARP's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indicator.



**HOUSING AUTHORITY OF RAPIDES PARISH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**DECEMBER 31, 2005**

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**FINANCIAL ANALYSIS**

HARP's net assets were \$3,161,750 and \$3,489,264 at December 31, 2005 and 2004. Of these amounts, \$647,673 and \$700,753 were unrestricted at December 31, 2005 and 2004. The unrestricted net assets of HARP are available for future use to provide program services.

**Table 1**  
**Condensed Statement of Net Assets**

The following table represents a condensed Statement of Net Assets as of December 31, 2005 and 2004:

<b>Condensed Statement of Net Assets</b>		
<b>December 31</b>		
<b>Assets</b>		
	<u>2005</u>	<u>2004</u>
Current assets	\$ 724,230	\$ 768,183
Restricted assets	10,835	10,440
Capital assets, net	<u>2,514,077</u>	<u>2,788,511</u>
Total assets	<u>3,249,142</u>	<u>3,567,134</u>
<b>Liabilities and Net Assets</b>		
Current liabilities	47,245	42,419
Current liabilities payable from current restricted assets	10,835	10,440
Long-term liabilities	<u>29,312</u>	<u>25,011</u>
Total liabilities	<u>87,392</u>	<u>77,870</u>
Net assets:		
Invested in capital assets, net	2,514,077	2,788,511
Unrestricted	<u>647,673</u>	<u>700,753</u>
Total net assets	<u>\$3,161,750</u>	<u>\$3,489,264</u>

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**DECEMBER 31, 2005**

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**FINANCIAL ANALYSIS, CONTINUED**

**Table 2**

**Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets**

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ended December 31, 2005 and 2004:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the year ended December 31**

	<u>2005</u>	<u>2004</u>
Revenues:		
Operating revenues	\$ <u>297,925</u>	<u>282,577</u>
Total operating revenues	<u>297,925</u>	<u>282,577</u>
Expenses:		
Operating expenses	<u>2,290,639</u>	<u>2,267,400</u>
Total operating expenses	<u>2,290,639</u>	<u>2,267,400</u>
Non-operating revenues:		
Non-operating revenues	<u>1,658,656</u>	<u>1,911,984</u>
Total non-operating revenues	<u>1,658,656</u>	<u>1,911,984</u>
Change in net assets	(334,058)	(72,839)
Net assets, beginning of year, as restated	<u>3,495,808</u>	<u>3,562,103</u>
Net assets, end of year	<u>\$3,161,750</u>	<u>\$3,489,264</u>

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**DECEMBER 31, 2005**

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**EXPLANATIONS OF FINANCIAL ANALYSIS**

Compared with prior year, total operating and non-operating revenues decreased by \$237,980 from a combination of larger offsetting factors.

Reasons for most of these changes are listed below:

Revenues received from HUD for operations decreased from \$326,064 in 2004 to \$316,517 in 2005, principally due to the past operations performance. The determination of the operating grant is based upon a three year average of past operations performance.

Capital funds for modernization projects decreased from \$484,615 in 2004 to \$99,874 for the year ended December 31, 2005.

Also, during 2005, HARP received approximately \$165,000 in insurance recovery funds for four burnt units.

Compared to the prior year, total operating expenses increased from \$2,267,400 in 2004 to \$2,290,639 in 2005.

Reasons for most of these changes are listed below:

- Salaries and related benefits increased by 10% in 2005 from 2004. The increase was the result of annual adjustments and performance compensation paid to employees.
- Inflationary pressures impacted cost categories such as utilities, contractual services and insurance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At December 31, 2005 and 2004, HARP had \$2,514,077 and \$2,788,511 invested in a broad range of capital assets, including land, buildings and building improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$274,434, or 10% from last year. The net decrease results from the destruction of four dwelling units and retirement of operating assets. We present more detail of capital assets in the notes to the accompanying financial statements.

**HOUSING AUTHORITY OF RAPIDES PARISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
DECEMBER 31, 2005**

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**CAPITAL ASSET AND DEBT ADMINISTRATION, CONTINUED**

<b>Capital Assets December 31</b>		
	<u>2005</u>	<u>2004</u>
Capital assets	\$10,353,616	\$10,397,535
Less: accumulated depreciation	<u>(7,839,539)</u>	<u>(7,609,024)</u>
Capital assets, net	<u>\$ 2,514,077</u>	<u>\$ 2,788,511</u>

No debt was issued for these additions.

***Debt***

Our long-term debt consists of accrued annual leave of \$29,312. We present more detail about our long-term liabilities in the notes to the accompanying financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

HARP is primarily dependent upon HUD for the funding of operations; therefore HARP is affected more by the Federal budget than by local economic conditions. The Low Rent Program's operating subsidy and Housing Choice Voucher Program for the year ending December 31, 2007 is pending approval by HUD. See the accompanying notes for additional discussion regarding the Capital Fund Program activities at December 31, 2005.

**CONTACTING HARP FOR ADDITIONAL INFORMATION**

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of HARP's finances and to show HARP's accountability for the monies it receives. If you have questions about this report or wish to request additional financial information, contact Pat Boss, Executive Director, at the Housing Authority of Rapides Parish, 119 Boyce Gardens, Boyce, Louisiana 71409, telephone number (318) 793-4751.

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
STATEMENT OF NET ASSETS--ENTERPRISE FUND  
DECEMBER 31, 2005

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ASSETS

Current Assets:

Unrestricted:

Cash and temporary cash investments (NOTE 2)	\$ 627,873
Amounts receivable, net (NOTE 11)	79,263
Prepaid items (NOTE 15)	<u>17,094</u>
Total unrestricted current assets	724,230

Restricted:

Cash (NOTE 3)	<u>10,835</u>
Total restricted cash	<u>10,835</u>
Total current assets	<u>735,065</u>

Non-current assets:

Capital assets, net (NOTES 4 AND 10)	<u>2,514,077</u>
Total non-current assets	<u>2,514,077</u>
Total assets	<u>3,249,142</u>

LIABILITIES

Current Liabilities:

Amounts payable	33,457
Compensated absences payable (NOTE 12)	12,105
Payroll taxes payable	1,683
Security deposits held for tenants (NOTE 3)	<u>10,835</u>
Total current liabilities	<u>58,080</u>

Non-current liabilities:

Compensated absences payable (NOTE 12)	<u>29,312</u>
Total non-current liabilities	<u>29,312</u>
Total liabilities	<u>87,392</u>

NET ASSETS

Invested in capital assets, net	2,514,077
Unrestricted	<u>647,673</u>
Total net assets	<u>\$3,161,750</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS--ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

Operating Revenues:	
Dwelling rental	\$ 265,108
Fees and charges	<u>32,817</u>
Total operating revenues	<u>297,925</u>
Operating Expenses:	
Salaries and employee benefits	481,195
Materials and supplies	46,568
Contractual services	57,636
Garbage and trash removal	30,818
Pest control	8,056
Utilities	75,069
Depreciation	461,062
Insurance	66,395
Housing assistance payments	957,896
Convention training and travel	47,867
Telephone	13,252
General	10,238
Payments in lieu of taxes	19,004
Bad debt	12,000
Postage, printing and advertising	<u>3,583</u>
Total operating expenses	<u>2,290,639</u>
Operating loss	<u>(1,992,714)</u>
Non-operating Revenues:	
Grants and subsidies	1,527,523
Interest income	10,851
Gain on sale of capital assets	<u>2,060</u>
Total non-operating revenues	<u>1,540,434</u>
Loss before extraordinary item	<u>(452,280)</u>
Net impairment gain on insurance recovery (NOTE 13)	<u>118,222</u>
Change in net assets	(334,058)
Net assets, beginning of year, as restated (NOTE 14)	<u>3,495,808</u>
Net assets, end of year	<u>\$ 3,161,750</u>

The accompanying notes are an integral part of the financial statements.

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
STATEMENT OF CASH FLOWS--ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Cash Flows from Operating Activities:	
Receipts from tenants	\$ 271,627
Interest received	10,851
Payments to vendors for goods and services	(504,233)
Payments to landlords	(957,896)
Payments to employees	<u>(350,811)</u>
Net cash used by operating activities	<u>(1,530,462)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(238,497)
Retirement of capital assets	<u>72,515</u>
Net cash used by capital and related financing activities	<u>(165,982)</u>
Cash Flows from Noncapital Financing Activities:	
Subsidy from federal grants	1,516,392
Proceeds from insurance claim, net	<u>118,222</u>
Cash provided by noncapital financing activities	<u>1,634,614</u>
Net decrease in cash	(61,830)
Cash, beginning of year	<u>700,538</u>
Cash, end of year	\$ <u><u>638,708</u></u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
STATEMENT OF CASH FLOWS--ENTERPRISE FUND, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2005

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Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities:	
Operating loss	\$(1,992,714)
Adjustment to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Gain on the sale of capital assets	(2,060)
Depreciation	461,062
Bad debt	12,000
Changes in assets and liabilities:	
Increase in amounts receivable, net	(17,504)
Increase in prepaid items	(768)
Increase in amounts payable	1,031
Increase in security deposits held for tenants	395
Decrease in payroll taxes payable	(341)
Increase in compensated absences payable	<u>8,437</u>
Net cash used by operating activities	<u>\$(1,530,462)</u>

The accompanying notes are an integral part of these financial statements.



**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - Summary of Significant Accounting Policies:**

**Background**

The **Housing Authority of Rapides Parish (HARP)** is a public corporation, legally separate and fiscally independent and governed by a Board of Commissioners. 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 housing programs. **HARP** has been contracted by HUD to administer Low-Income and Housing Choice Voucher Programs (FW-2021) and (FW-2116), respectively, under Annual Contribution Contracts.

As of December 31, 2005, **HARP** was primarily engaged in the administration of Low-Income and Housing Choice Voucher Programs to Low-Income residents in the towns of Boyce, Glenmora, Cheneyville, and LeCoute, Louisiana. Under the Low-Income Program, **HARP** provides eligible families housing under leasing arrangements. For the Housing Choice Voucher Program, **HARP** provides funds in the form of rental subsidies to owners on behalf of the tenants.

**Financial Reporting Entity**

**HARP** has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the Town of Boyce.

Government Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity" established standards for defining and reporting on the financial entity. GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Summary of Significant Accounting Policies, Continued

Financial Reporting Entity, Continued

**HARP** was established as a separate, legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that **HARP** is a financial reporting entity within the meaning of the provisions of GASB 14. Accordingly, **HARP** is not a component unit of the financial reporting entity of the Parish of Boyce. Also, **HARP** has no component unit for financial reporting purposes as described within the provisions of GASB No's 14 and 39.

Basis of Presentation

As required by Louisiana State Reporting Law (LSA-R.S. 24:514) and HUD regulations, financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

The accounts of **HARP** are accounted for under the proprietary fund. Accordingly, the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units.

Proprietary Fund Type - Proprietary fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. **HARP** applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. **HARP's** fund include the following type:

Enterprise Fund - Enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting and Financial  
Statement Presentation

HARP has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*". Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows. It requires the classification of net assets into three components-invested in capital assets, net, restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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**NOTE 1 - Summary of Significant Accounting Policies, Continued:**

**Measurement Focus and Basis of Accounting and Financial  
Statement Presentation, Continued**

- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The term measurement focus is used to denote what is being measured and reported in **HARP's** operating statement. **HARP's** financial statements are reported on using the flow of economic resources measurement focus and accrual basis of accounting. The fundamental objective of this focus is to measure whether **HARP** is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on **HARP's** operating statement. **HARP** uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

**HARP** follows the provisions of GASB 33 (*Accounting and Financing Reporting for Non-Exchange Transactions*) effective for fiscal years that began after June 15, 2000.

Under GASB 33 Standards, **HARP** recognizes assets, liabilities, revenues and expenses under its government-mandated and voluntary non-exchange transactions as follows:

- **HARP** recognizes assets and liabilities when all applicable eligibility requirements are met or resources received whichever is first;

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 1 - Summary of Significant Accounting Policies, Continued:**

- Revenues and expenses are recognized when all applicable, eligibility requirements are met;
- Transactions with time requirements received prior to the satisfaction of the time requirement(s) are recorded by **HARP** as revenue upon award; and
- Transactions with no time limit requirement(s) are recorded by **HARP** as revenue upon award.

**Budgets**

**HARP** prepares an annual budget for its proprietary fund. Prior to the beginning of the calendar year on January 1, the annual budget is approved by the Board of Commissioners. Budgetary amendments require approval by the Board.

**HARP** does not present its budget to actual comparison for the enterprise fund as part of its financial statement as accounting principles generally accepted in the United States of America does not require such, despite adoption of annual budget by the Board.

**Estimates**

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

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 1 - Summary of Significant Accounting Policies, Continued:**

**Statement of Cash flows**

For purposes of the statement of cash flows, **HARP** considers all highly liquid investments with an original maturity of ninety (90) days or less when purchased to be cash and temporary cash investments.

**Capital Assets**

Land, structures and equipment are recorded at cost or estimated cost. Donated assets are valued at estimated fair value on the date donated. When no historical records are available, capital assets are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized in the enterprise fund.

Structures and equipment with cost of \$300 or more are capitalized and depreciated using the straight line method in the enterprise fund of **HARP** using the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives in Years</u>
Land improvements	15
Building	33
Building improvements	15
Equipment	3-7

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 1 - Summary of Significant Accounting Policies, Continued:

Capital Assets, Continued

Using accounting principles generally accepted in the United States of America, capital assets are to be reviewed for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. At December 31, 2005, management has implemented the provisions of GASB No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

Compensated Absences

HARP follows Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expense in the enterprise fund when leave is earned.

Interprogram Activities

All interprogram transactions, except quasi external transactions, advances and reimbursements are reported as transfers. Nonrecurring and permanent transfers of equity are reported as residual equity transfer. All other interprogram transfers are reported as operating transfers and recognized at the time the underlying event occurs.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 1 - Summary of Significant Accounting Policies Continued**

Interprogram Activities, Continued

Interprogram due from and to are netted at the combined financial statements level.

Amounts Receivable

Amounts receivable are stated at net realizable value as required by accounting principles generally accepted in the United States of America.

Total Memorandum Only

The total column on the combining financial statements listed under the supplementary information section, are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - Cash and Temporary Cash Investments:**

At December 31, 2005, HARP's cash balances and securities consisting of certificates of deposit are as follows:

<u>Description</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Approximate Market Value</u>
Cash	1.03	N/A	\$362,963	\$362,963
Certificate of Deposit	Varying	Every 14 days	56,191	56,191
Certificate of Deposit	Varying	Every 14 days	56,192	56,192
Certificate of Deposit	Varying	Every 14 days	35,152	35,152
Certificate of Deposit	Varying	Every 14 days	62,247	62,247
Certificate of Deposit	Varying	Every 30 days	<u>55,128</u>	<u>55,128</u>
			<u>\$627,873</u>	<u>\$627,873</u>



**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 2 - Cash and Temporary Cash Investments, Continued:**

At December 31, 2005, the carrying amount of **HARP's** cash deposits was \$627,873 and the cumulative bank balance was \$633,240. The bank balances are covered by federal depository insurance and collateral held by the pledging institution's agent in **HARP's** name.

Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent. These securities are held by the fiscal agent bank in the name of **HARP**.

Custodial credit is the risk that, in the event of a failure by the financial institution, **HARP's** deposits may not be returned to it. **HARP's** has no deposit policy for custodial credit risk; however, none of the **HARP's** bank balances were exposed to custodial credit risk, since the pledged securities were in the name of the **HARP's** and were held in safekeeping.

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana, or any other federally insured investment.

State law also requires that all deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by **HARP** or with an unaffiliated bank or trust company for the account of **HARP**.

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 3 - Restricted Cash:**

At December 31, 2005, restricted cash consisted of \$10,835 in security deposits received and held on behalf of tenants. These deposits are stated at cost, which approximates market. Also, at December 31, 2005 the cash deposit and cumulative bank balance were \$10,835 respectively.

**NOTE 4 - Capital Assets:**

At December 31, 2005, capital assets consisted of the following:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Other Changes</u>	<u>Balance December 31, 2005</u>
Land	\$ 256,124	\$ -0-	\$ -0-	\$ (249,479)	\$ 6,645
Buildings and building improvements	9,223,658	-0-	(208,516)	633,693	9,648,835
Equipment	408,885	110,426	(62,514)	(11,388)	445,409
Construction-in-progress	<u>508,868</u>	<u>128,071</u>	<u>-0-</u>	<u>(384,212)</u>	<u>252,727</u>
Total	10,397,535	238,497	(271,030)	(11,386)	10,353,616
Less accumulated depreciation	<u>(7,609,024)</u>	<u>(477,386)</u>	<u>224,008</u>	<u>22,863</u>	<u>(7,839,539)</u>
Total	<u>\$ 2,788,511</u>	<u>\$ (238,889)</u>	<u>\$ (47,022)</u>	<u>\$ 11,477</u>	<u>\$ 2,514,077</u>

**NOTE 5 - Per Diem Paid to Board of Commissioners :**

The Board of Commissioners in their capacity as board members received no per diem amounts for the year ended December 31, 2005.

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 6 - Retirement System:**

**Plan Description**

HARP participates in a single employer defined contribution plan. The Housing Authority of Rapides Parish Retirement Plan (the Plan) is authorized and may be amended by the Board of Commissioners.

**Plan Funding**

Funding for the system was through a contribution of 17.8% through June 30, 2005 and 19.1% thereafter and 7.5% by HARP and its employees, respectively. The contribution amount is based on the employee's base salary each month.

HARP's gross payroll for the year ended December 31, 2005, was \$350,811. HARP and employee contributions made for the year ended December 31, 2005, amounted to \$21,539 and \$52,670, respectively.

**NOTE 7 - Risk Management:**

HARP is exposed to various risks of loss related to torts, theft, damage to and destruction of assets for which HARP carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 8 - Concentration of Credit Risk:**

HARP receives primarily all of its revenues from dwelling rentals and HUD. If the amount of revenues received from both dwelling rentals and HUD falls below contract levels, HARP's operating results could be adversely affected.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 9 - Contingencies:**

HARP is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to HARP. These examinations may result in required refunds by HARP to the agencies and/or program beneficiaries.

**NOTE 10 - Commitments:**

At December 31, 2005, HARP has executed Capital Fund Program awards with HUD totaling \$604,267. (See Schedule IV). Cumulative outstanding commitments at December 31, 2005, was \$260,598.

**NOTE 11 - Amounts Receivable, Net:**

At December 31, 2005, amounts receivable consisted of the following:

Amounts receivable,- HUD	\$62,290
Amounts receivable - Tenants	31,006
Amounts receivable - Miscellaneous	<u>75</u>
	93,371
Less allowance for doubtful accounts	(14,108)
Net	<u>\$79,263</u>

**NOTE 12 - Changes in Non-current Liabilities:**

At December 31, 2005, analysis of changes in HARP's noncurrent liabilities consisting of compensated absences follows:

	<u>Current</u>	<u>Non- Current</u>	<u>Total</u>
Beginning of year	\$ 7,969	\$25,011	\$32,980
Addition	12,105	4,301	16,406
Retirement	(7,969)	<u>-0-</u>	(7,969)
End of year	\$ <u>12,105</u>	\$ <u>29,312</u>	\$ <u>41,417</u>

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 13 - Net Impairment Gain on Insurance Recovery:

Pursuant to the requirements of GASB No. 42, the net gain after insurance recovery of \$ 118,222 results from an impairment gain on four (4) public housing development units destroyed by fire in 2004.

NOTE 14 - Adjustments to Beginning Net Assets:

The net adjustment to beginning net assets results primarily from equity transfers between the Capital Fund and Low Rent Programs.

NOTE 15 - Prepaid Items:

At December 31, 2005, prepaid items consisted of prepaid insurance of \$15,341 and materials inventory of \$1,753.

## SUPPLEMENTARY INFORMATION

Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

**INDEPENDENT AUDITORS' REPORT  
ON  
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners  
**Housing Authority of Rapides Parish**  
Boyce, Louisiana

Our report on our audit of the financial statements of **Housing Authority of Rapides Parish (HARP)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) 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 financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplementary information (Schedules II, III, IV and V) which is prepared in accordance with accounting principles generally accepted in the United States of America, and is not a required part of the financial statements has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

**INDEPENDENT AUDITORS' REPORT**  
**ON**  
**SUPPLEMENTARY INFORMATION**  
**(CONTINUED)**

Also, the supplementary information (Exhibits I and II), which is prepared in accordance with accounting principles generally accepted in the United States of America, and is not a required part of the financial statements has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 7, 2006



EXHIBIT I

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
COMBINING STATEMENT OF NET ASSETS--ENTERPRISE FUND  
DECEMBER 31, 2005

	PHA Owned Housing Program	Capital Fund Program	Housing Choice Voucher Program	Totals (Memorandum Only)
<u>ASSETS</u>				
Cash	\$ 285,795	\$ -0-	\$ 77,168	\$ 362,963
Restricted cash	10,835	-0-	-0-	10,835
Amounts receivable, net	16,973	-0-	-0-	16,973
Amounts receivable - HUD	-0-	62,290	-0-	62,290
Prepaid items	15,341	-0-	-0-	15,341
Investments	264,910	-0-	-0-	264,910
Due from other funds	168,034	-0-	-0-	168,034
Inventories, net	1,753	-0-	-0-	1,753
Capital assets, net	<u>2,287,597</u>	<u>200,818</u>	<u>25,662</u>	<u>2,514,077</u>
Total assets	<u>\$3,051,238</u>	<u>\$263,108</u>	<u>\$102,830</u>	<u>\$3,417,176</u>
<u>LIABILITIES</u>				
Liabilities:				
Amounts and other payable	\$ 33,457	\$ -0-	\$ -0-	\$ 33,457
Compensated absences payable	31,873	-0-	9,544	41,417
Payroll taxes payable	1,683	-0-	-0-	1,683
Security deposits held for tenants	10,835	-0-	-0-	10,835
Due to other funds	<u>-0-</u>	<u>62,290</u>	<u>105,744</u>	<u>168,034</u>
Total liabilities	<u>77,848</u>	<u>62,290</u>	<u>115,288</u>	<u>255,426</u>
<u>NET ASSETS</u>				
Invested in capital assets, net	2,287,597	200,818	25,662	2,514,077
Unrestricted	<u>685,793</u>	<u>-0-</u>	<u>(38,120)</u>	<u>647,673</u>
Total net assets	<u>\$2,973,390</u>	<u>\$200,818</u>	<u>\$12,458</u>	<u>\$3,161,750</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET ASSETS --ENTERPRISE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	PHA Owned Housing Program	Capital Fund Program	Housing Choice Voucher Program	Totals (Memorandum Only)
Operating Revenues:				
Dwelling rental	\$ 265,108	\$ -0-	\$ -0-	\$ 265,108
Fees and charges	<u>32,817</u>	<u>-0-</u>	<u>32,817</u>	
Total operating revenues	<u>297,925</u>	<u>-0-</u>	<u>-0-</u>	<u>297,925</u>
Operating Expenses:				
Salaries and employee benefits	405,143	-0-	76,052	481,195
Materials and supplies	43,467	-0-	3,101	46,568
Contractual services	47,274	-0-	10,362	57,636
Garbage and trash removal	30,818	-0-	-0-	30,818
Pest control	8,056	-0-	-0-	8,056
Utilities	75,069	-0-	-0-	75,069
Depreciation	432,557	18,704	-0-	461,062
Insurance	53,378	-0-	9,801	66,395
Housing assistance payments	-0-	-0-	13,017	957,896
Convention and travel	42,789	-0-	957,896	47,867
Telephone	10,575	-0-	5,078	13,252
General	9,586	-0-	2,677	10,238
Payments in lieu of taxes	19,004	-0-	652	19,004
Bad debt	12,000	-0-	-0-	12,000
Postage, printing and advertising	<u>2,833</u>	<u>-0-</u>	<u>750</u>	<u>3,583</u>
Total operating expenses	<u>1,192,549</u>	<u>18,704</u>	<u>1,079,386</u>	<u>2,290,639</u>
Operating loss	<u>(894,624)</u>	<u>(18,704)</u>	<u>(1,079,386)</u>	<u>(1,992,714)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS--ENTERPRISE FUND, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2005

	PHA Owned Housing Program	Capital Fund Program	Housing Choice Voucher Program	Totals (Memorandum Only)
Non-operating revenues:				
Grants and subsidies	\$ 316,517	\$ 99,874	\$1,111,132	\$1,527,523
Interest income	10,851	-0-	-0-	10,851
Gain on sale of capital assets	<u>2,060</u>	<u>-0-</u>	<u>-0-</u>	<u>2,060</u>
Total non-operating revenues	<u>329,428</u>	<u>99,874</u>	<u>1,111,132</u>	<u>1,540,434</u>
Income (loss) before other financing sources (uses) and extraordinary item	(565,196)	81,170	31,746	(452,280)
Other financing sources (uses):				
Operating transfers in	16,851	-0-	-0-	16,851
Operating transfers out	<u>-0-</u>	<u>(16,851)</u>	<u>-0-</u>	<u>(16,851)</u>
Total other financing sources (uses)	<u>16,851</u>	<u>(16,851)</u>	<u>-0-</u>	<u>-0-</u>
Extraordinary item:				
Net gain from insurance recovery	<u>118,222</u>	<u>-0-</u>	<u>-0-</u>	<u>118,222</u>
Change in net assets	(430,123)	64,319	31,746	(334,058)
Net assets, beginning of year, as restated	<u>3,403,513</u>	<u>136,499</u>	<u>(44,204)</u>	<u>3,495,808</u>
Net assets, end of year	<u>\$2,973,390</u>	<u>\$200,818</u>	<u>\$ (12,458)</u>	<u>\$3,161,750</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Program funded by the U.S. Department of Housing and Urban Development (HUD):		
<u>Subject to Annual Contributions Contracts</u>		
PHA Owned Housing Program	14.850a*	\$ 316,517
Housing Choice Voucher Program	14.871*	1,111,132
Public and Indian Housing Capital Fund Program	14.872	<u>99,874</u>
Total		<u>\$1,527,523</u>

\*Denotes major program as defined by OMB A-133

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of HARP and is presented on an accrual basis of accounting. The information on this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET**  
**DECEMBER 31, 2005**

<u>Line Item No.</u>	<u>Account Description</u>	<u>PHA Owned Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>	<u>Totals (Memorandum Only)</u>
111	Cash - unrestricted	\$ 285,795	\$ -0-	\$77,168	\$362,963
114	Cash - tenant security deposits	<u>10,835</u>	<u>-0-</u>	<u>-0-</u>	<u>10,835</u>
100	Total cash	<u>296,630</u>	<u>-0-</u>	<u>77,168</u>	<u>373,798</u>
122	Accounts receivable - HUD other projects	-0-	62,290	-0-	62,290
125	Accounts receivable - Miscellaneous	75	-0-	-0-	75
126	Accounts receivable - tenants dwelling rents	31,006	-0-	-0-	31,006
126.1	Allowance for doubtful accounts-dwelling rents	<u>(14,108)</u>	<u>-0-</u>	<u>-0-</u>	<u>(14,108)</u>
120	Total receivables, net of allowances for doubtful accounts	<u>16,973</u>	<u>62,290</u>	<u>-0-</u>	<u>79,263</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET, CONTINUED**  
**DECEMBER 31, 2005**

<u>Line Item No.</u>	<u>Account Description</u>	<u>PHA Owned Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>	<u>Totals (Memorandum Only)</u>
131	Investments - unrestricted	\$ 264,910	\$ -0-	\$ -0-	\$ 264,910
142	Prepaid expenses and other assets	15,341	-0-	-0-	15,341
143	Inventories	1,753	-0-	-0-	1,753
144	Interprogram due from	168,034	-0-	-0-	168,034
150	Total current assets	<u>763,641</u>	<u>62,290</u>	<u>77,168</u>	<u>903,099</u>
161	Land	6,645	-0-	-0-	6,645
162	Buildings	9,648,835	-0-	-0-	9,648,835
163	Furniture, equipment & machinery - dwellings	115,238	8,352	-0-	123,590
164	Furniture, equipment & machinery - administration	199,552	75,400	46,867	321,819
166	Accumulated depreciation	(7,793,988)	(24,346)	(21,205)	(7,839,539)
167	Construction in progress	<u>111,315</u>	<u>141,412</u>	<u>-0-</u>	<u>252,727</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,287,597</u>	<u>200,818</u>	<u>25,662</u>	<u>2,514,077</u>
180	Total non-current assets	<u>2,287,597</u>	<u>200,818</u>	<u>25,662</u>	<u>2,514,077</u>
190	Total assets	<u>\$ 3,051,238</u>	<u>\$263,108</u>	<u>\$102,830</u>	<u>\$ 3,417,176</u>

See Independent Auditors' Report on Supplementary Information.

**SCHEDULE II**

Page 3 of 4

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET, CONTINUED  
DECEMBER 31, 2005**

<u>Line Item No.</u>	<u>Account Description</u>	<u>PHA Owned Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>	<u>Totals (Memorandum Only)</u>
312	Accounts payable & days	\$14,453	\$ -0-	\$ -0-	\$ 14,453
321	Accrued wage/payroll taxes payable	1,683	-0-	-0-	1,683
322	Accrued compensated absences - current portion	9,560	-0-	2,545	12,105
333	Accounts payable - other government	19,004	-0-	-0-	19,004
341	Tenant security deposits	10,835	-0-	-0-	10,835
347	Interprogram due to	-0-	62,290	105,744	168,034
310	Total current liabilities	55,535	62,290	108,289	226,114
354	Accrued compensated absences-non-current portion	22,313	-0-	6,999	29,312
350	Total noncurrent liabilities	22,313	-0-	6,999	29,312
300	Total liabilities	77,848	62,290	115,288	255,426

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET, CONTINUED**  
**DECEMBER 31, 2005**

<u>Line Item No.</u>	<u>Account Description</u>	<u>PHA Owned Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>	<u>Totals (Memorandum Only)</u>
508.1	Invested in capital assets, net	\$2,287,597	\$200,818	\$ 25,662	\$2,514,077
512.1	Unrestricted net assets	<u>685,793</u>	<u>-0-</u>	<u>(38,120)</u>	<u>647,673</u>
513	Total net assets	<u>2,973,390</u>	<u>200,818</u>	<u>(12,458)</u>	<u>3,161,750</u>
600	Total liabilities and net assets	<u>\$3,051,238</u>	<u>\$263,108</u>	<u>\$102,830</u>	<u>\$3,417,176</u>

See Independent Auditors' Report on Supplementary Information.



**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**FINANCIAL DATA SCHEDULE--COMBINING STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Line Item No.</u>	<u>Account Description</u>	<u>PHA Owned Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>	<u>Totals (Memorandum Only)</u>
703	Net tenant rental revenue	\$265,108	\$ -0-	\$ -0-	\$ 265,108
704	Tenant revenue - other	<u>32,817</u>	<u>-0-</u>	<u>-0-</u>	<u>32,817</u>
705	Total tenant revenues	297,925	-0-	-0-	297,925
706	HUD PHA operating grants	316,517	16,851	1,111,132	1,444,500
706.1	Capital grants	-0-	83,023	-0-	83,023
711	Investment income - unrestricted	10,851	-0-	-0-	10,851
715	Other revenue	118,222	-0-	-0-	118,222
716	Gain on sale of fixed assets	<u>2,060</u>	<u>-0-</u>	<u>-0-</u>	<u>2,060</u>
700	Total revenues	<u>745,575</u>	<u>99,874</u>	<u>1,111,132</u>	<u>1,956,581</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**FINANCIAL DATA SCHEDULE--COMBINING STATEMENT OF REVENUES AND EXPENSES, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Line Item No.</u>	<u>Account Description</u>	<u>PHA Owned</u> <u>Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice</u> <u>Voucher Program</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
911	Administrative salaries	\$129,148	\$-0-	\$ 51,473	\$180,621
912	Auditing fees	9,200	-0-	-0-	9,200
914	Compensated absences	7,080	-0-	1,357	8,437
915	Employee benefit contributions-administrative	47,852	-0-	23,222	71,074
916	Other operating-administrative	79,277	-0-	22,620	101,897
931	Water	59,210	-0-	-0-	59,210
932	Electricity	13,945	-0-	-0-	13,945
933	Gas	1,914	-0-	-0-	1,914
941	Ordinary maintenance and operations-labor	<u>169,060</u>	<u>-0-</u>	<u>-0-</u>	<u>169,060</u>
	Page total	<u>516,686</u>	<u>-0-</u>	<u>98,672</u>	<u>615,358</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
FINANCIAL DATA SCHEDULE--COMBINING STATEMENT OF REVENUES AND EXPENSES, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2005

Line Item No.	Account Description	PHA Owned Housing Program	Capital Fund Program	Housing Choice Voucher Program	Totals (Memorandum Only)
942	Ordinary maintenance and operations- materials and other	\$ 39,898	\$ -0-	\$ -0-	\$ 39,898
943	Ordinary maintenance and operations-contract costs	67,023	-0-	-0-	67,023
945	Employee benefit contributions-ordinary maintenance	52,003	-0-	-0-	52,003
961	Insurance premiums	53,378	-0-	13,017	66,395
963	Payment in lieu of taxes	19,004	-0-	-0-	19,004
964	Bad debt tenant rents	12,000	-0-	-0-	12,000
969	Total operating expenses	759,992	-0-	111,689	871,681
970	Excess (deficit) of operating revenues over operating expenses	(14,417)	99,874	999,443	1,084,900

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**BOYCE, LOUISIANA**  
**FINANCIAL DATA SCHEDULE--COMBINING STATEMENT OF REVENUES AND EXPENSES, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Line Item No.</u>	<u>Account Description</u>	<u>PHA Owned Housing Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>	<u>Totals (Memorandum Only)</u>
	Other Expenses:				
973	Housing assistance payments	-0-	-0-	957,896	957,896
974	Depreciation expense	<u>432,557</u>	<u>18,704</u>	<u>9,801</u>	<u>461,062</u>
900	Total expenses	<u>1,192,549</u>	<u>18,704</u>	<u>1,079,386</u>	<u>2,290,639</u>
	Other financing sources (uses):				
1001	Operating transfer in	16,851	-0-	-0-	16,851
1002	Operating transfer out	<u>-0-</u>	<u>(16,851)</u>	<u>-0-</u>	<u>(16,851)</u>
1000	Excess (deficiency) of revenues over expenses	<u>\$ (430,123)</u>	<u>\$ 64,319</u>	<u>\$ 31,746</u>	<u>\$ (334,058)</u>
<b><u>MEMO ACCOUNT INFORMATION</u></b>					
1103	Beginning equity	\$ 3,010,071	\$ 523,396	\$ (44,203)	\$ 3,489,264
1104	Prior period adjustments, equity transfers, and correction of errors, net	<u>393,442</u>	<u>(386,897)</u>	<u>(1)</u>	<u>6,544</u>
	Beginning equity, as adjusted	<u>\$ 3,403,513</u>	<u>\$ 136,499</u>	<u>\$ (44,204)</u>	<u>\$ 3,495,808</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE IV

HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA  
STATEMENT OF CAPITAL FUND PROGRAM COST (INCOMPLETE)  
FROM INCEPTION THROUGH DECEMBER 31, 2005

	<u>LA49P129-501-03</u>	<u>LA48P129-501-04</u>	<u>TOTAL</u>
Funds approved	\$ 278,441	\$325,826	\$ 604,267
Funds expended	(278,441)	(65,228)	(343,669)
Excess (deficiency) of funds approved	\$ -0-	<u>\$260,598</u>	<u>\$ 260,598</u>
Funds Advanced:			
Grant funding	<u>\$ 248,034</u>	<u>\$ 33,345</u>	<u>\$ 281,379</u>
Total funds advanced	<u>248,034</u>	<u>33,345</u>	<u>281,379</u>
Funds expended	(278,441)	(65,228)	(343,669)
Excess (deficiency) of funds advanced	<u>\$ (30,407)</u>	<u>\$ (31,883)</u>	<u>\$ (62,290)</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA**  
STATEMENT OF CAPITAL FUND PROGRAM COST (COMPLETE)  
FROM INCEPTION THROUGH DECEMBER 31, 2005

---

LA48P129-501-01

Funds approved	\$256,920
Funds expended	<u>256,920</u>
Excess (deficiency) of funds approved	\$ <u>-0-</u>
Funds Advanced:	
Grant funding	\$ <u>256,920</u>
Total funds advanced	256,920
Funds expended	<u>(256,920)</u>
Excess (deficiency) of funds advances	\$ <u>-0-</u>

NOTE: The distribution of costs as shown on the line of credit control system and the total award per the approved Form HUD 53012 (Capital Fund Program (CFP)) Amendment to the Consolidated Annual Contributions Contract is in agreement with **HARP**'s records, and all costs and liabilities associated with the project have been paid.

See Independent Auditors' Report on Supplementary Information.



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Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND 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

Board of Commissioners  
**Housing Authority of Rapides Parish**  
Boyce, Louisiana

We have audited the financial statements of **Housing Authority of Rapides Parish (HARP)** as of and for the year ended December 31, 2005, and have issued our report thereon dated June 7, 2006. 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 of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **HARP's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of **HARP** in a separate letter dated June 7, 2006.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND 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

(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **HARP's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2005-01 and 2005-02 .

This report is intended solely for the information and use of the Board of Commissioners, **HARP's** management, the Legislative Auditor, State of Louisiana and the United States Department of Housing and Urban Development and is not intended to, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 7, 2006



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

Board of Commissioners  
**Housing Authority of Rapides Parish**  
Boyce, Louisiana

**Compliance**

We have audited the compliance of **Housing Authority of Rapides Parish (HARP)** 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 December 31, 2005. **HARP's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Summary 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 **HARP's** management. Our responsibility is to express an opinion on **HARP'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 of America; 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 previously referred to that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **HARP'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 on **HARP's** compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

In our opinion, HARP complied, in all material respects, with the requirements previously referred to that are applicable to each of its major federal programs for the year ended December 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2005-01 and 2005-02.

**Internal Control Over Compliance**

The management of HARP 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 our audit, we considered HARP's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 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. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

This report is intended solely for the information and use of the Board of Commissioners, HARP's management, the Legislative Auditor, State of Louisiana, and the United States Department of Housing and Urban Development and is not intended to, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 7, 2006

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition (s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal Control Over Major Programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Section I - Summary of Auditors' Results, Continued**

***Federal Awards, Continued***

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.850a	PHA Owned Housing Program
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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**Section II - Financial Statement Findings and Responses**

No financial statement findings were reported for the year ended December 31, 2005.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Section III - Federal Award Findings and Questioned Costs**

**Reference Number**

2005-01

**Federal Program**

PHA Owned Housing Program (see Schedule of Expenditures and Federal Awards).

**Criteria**

Pursuant to 24 CFR subpart F, income eligibility and tenant rent payment amount must be determined using documentation resulting from third party verification.

**Condition**

In one (1) instance of five (5) files reviewed, we noted where the verified projected family income used in the determination of income eligibility and tenant rent amount did not agree to the amount reflected on the HUD Form 50058.

**Context**

Total federal award for the Low Rent Public Housing Program was \$316,517, or twenty-one (21) percent of the total federal awards for the year ended December 31, 2005.

**Questioned Costs**

None

**Effect**

Potential miscalculation in tenant rent payment amount.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Section III - Federal Award Findings and Questioned Costs, Continued**

**Reference Number, continued**

2005-01

**Cause**

Lack of a system in place to reconcile data received from tenant to independently verified data.

**Recommendation**

We recommend that management establish a system to ensure an alignment of all information received from tenant to independently verified data on a timely basis in conjunction with its certification and/or recertification process.

**Management's Response**

Management will continue to provide staff with training to ensure compliance with its program requirements.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Section III -Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2005-02

**Federal Program**

Housing Choice Voucher Program (see Schedule of Expenditures and Federal Awards).

**Criteria**

Pursuant to 24 CFR sections 5.230, 5.609 and 982.516, **HARP** is required as a condition of admission to obtain and document in the family file, third party verification of the reported family's annual income.

**Condition**

Three (3) of seven (7) tenant files, reviewed, had no evidence on file to support a third party verification of the family's reported annual income. However, we noted that on June 1, 2006, **HARP** obtained a third party verification of the families income. (Admission dates for the tenants were 11/01/05 and 12/01/05).

**Context**

Total federal award for the Housing Choice Voucher Program was \$1,111,132, or seventy-three (73) percent of the total federal awards.

**Questioned Costs**

None

**Effect**

Potential miscalculation in tenant rent payment amount and landlords housing assistance subsidy payment.



**HOUSING AUTHORITY OF RAPIDES PARISH**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Section III -Federal Award Findings and Questioned Costs, Continued**

**Reference Number, continued**

2005-02

**Cause**

Lack of adequate follow-up procedure to ensure completeness of its tenant file in its certification and/or recertification process.

**Recommendation**

We recommend that management evaluate its current follow-up procedures to ensure its completeness in relation to file information management.

**Management's Response**

Management of **HARP** will continue to provide the necessary oversight to minimize, if not eliminate exceptions from established procedures.

**HOUSING AUTHORITY OF RAPIDES PARISH**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Section IV - Status of Prior Years' Findings and Questioned Costs**

No prior year's Findings and Questioned Costs were reported for the year ended December 31, 2005

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA**

**EXIT CONFERENCE**

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An exit conference was held with a representative of HARP. The contents of this report were discussed and management indicated their concurrence in all material respects. The following were in attendance.

**HOUSING AUTHORITY OF RAPIDES PARISH  
BOYCE, LOUISIANA**

Pat Boss	-- Executive Director
Freida Sharp	-- Public Housing Manager
Jeburnon M. Williams	-- Section 8 Manager

**BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS**

Paul K. Andoh, Sr., CPA, MBA, CGFM	-- Partner
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Paul K. Andoh, Sr., CPA

## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

Ms. Pat Boss, Executive Director  
**Housing Authority of Rapides Parish**

In planning and performing our audit of the financial statements of **Housing Authority of Rapides Parish (HARP)**, we considered **HARP's** internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency.

Also, as a part of our audit, we reviewed with management the status of prior year's management letter comments and suggestions. We previously reported on **HARP's** internal control in our report dated June 7, 2006. This letter does not affect our report dated June 7, 2006, on **HARP's** internal control or its financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with **HARP's** personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

***CURRENT YEARS' COMMENTS TO MANAGEMENT***

The following summarizes the comments and suggestions regarding those matters:

**Condition**

Our review of the internal control over financial reporting for the Capital Fund Program for the year ended December 31, 2005, revealed the following conditions:

- Untimely requisition of funds from the U.S. Department of Housing and Urban Development via the "LOCCS" system for costs incurred and paid for by other programs;
- Acquisition of a capital asset totaling \$15,738.07 prior to the request for a budget line item revision from HUD which is pending as of June 7, 2006;
- 2005 depreciation expense for the 2004 Capital Fund Program was overstated by approximately \$900. Also, for the 2003 Capital Fund Program, depreciation expense was overstated by approximately \$2,900;
- Noted no documentation on file to support procurement for appliances totaling \$8,352 (check dated January 5, 2005); and
- In one instance, we noted a key punch error resulting in the miscoding of a check number by **HARP's** fee accountant.

**Recommendation**

We recommend that management of **HARP** revisit with its financial reporting processes with an aim towards ensuring the following:

- Timely requisition of reimbursable cost paid with funds from other programs to include the effective use of the "LOCCS" system;
- Development of a detailed budget for the use of operations (a/c 1406) and management improvements (a/c 1408) of the Capital Fund Program funds;
- Document the basis for procurement pursuant to Board approved procurement policy; and
- Review the work effort of its fee accountant to ensure its completeness.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

***CURRENT YEARS' COMMENTS TO MANAGEMENT, CONTINUED***

**Management's Response**

Management will discuss resolution with its fee accountant within the next thirty (30) days.

**Condition**

No periodic reconciliation is performed between the payroll register and quarterly Internal Revenue Service (IRS) Form 941 filed by **HARP**.

**Recommendation**

As a part of the periodic general ledger control account reconciliation process, the fee accountant should on a quarterly basis reconcile payroll and taxes as recorded on the general ledger to the payroll register and IRS Form 941 filed.

**Management Response**

Management will discuss resolution with its fee accountant by no later than November 15, 2006.

**Condition**

**HARP** has no formal cost allocation plan for shared cost between its Low Rent and Housing Choice Voucher Programs.

**Recommendation**

Management should develop and implement a cost allocation plan for its shared cost.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

***STATUS OF PRIOR YEARS' COMMENTS TO MANAGEMENT***

The following summarizes the status of prior years' comments and suggestions regarding to management:

**Condition**

Interest income earned on investments held by **HARP** at a financial institution was not recorded prior to the effect of an audit adjustment.

It is our understanding through discussions with **HARP's** fee accountant, that the error was due to a misunderstanding on his part.

**Recommendation**

We recommend that on a monthly basis, all significant general ledger accounts should be reconciled by **HARP's** fee accountant to their respective general ledger control accounts. The reconciliation process should incorporate third party documents such as interest and investment statements etc.

In addition, management of **HARP** should review the fee accountant's work effort to ensure its completeness.

**Current Status**

Resolved.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

***STATUS OF PRIOR YEARS' COMMENTS TO MANAGEMENT, CONTINUED***

**Condition**

The bank account reconciliation for the Regions Bank is not formally prepared by HARP's fee accountant and submitted to management for review and approval.

Subsequent to our request, the reconciliation for the month of December 2004 was prepared noting agreement to the general ledger. It is our understanding through discussion with the fee accountant that the account has minimal activity.

**Recommendation**

All bank accounts should be reconciled monthly and the reconciliation submitted to management of HARP for review and/or approval.

**Current Status**

Unresolved.

**Condition**

Lack of an established procedure to ensure that all audit adjustments are posted by HARP's fee accountant on a timely basis.

**Recommendation**

Management should ensure that all work effort of the fee accountant is review and approved.

**Current Status**

Resolved.



**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

***STATUS OF PRIOR YEARS' COMMENTS TO MANAGEMENT, CONTINUED***

**Condition**

**HARP** does not have an established system in place to ensure the timely review of adequacy of pledged collateral for its cash and investment held by its financial institutions.

**Recommendation**

We recommend that management implement a procedure to ensure adequacy of its pledged collateral at all times.

**Current Status**

Partially resolved.

**Condition**

**HARP** does not have an established procedure to ensure the complete review and approval of all bank account reconciliations performed by its fee accountant.

**Current Status**

Partially resolved.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

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As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of the Board of Commissioners, management, United States Department of Housing and Urban Development, Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 7, 2006