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**HOUSING AUTHORITY  
OF  
TOWN OF KAPLAN, LOUISIANA**

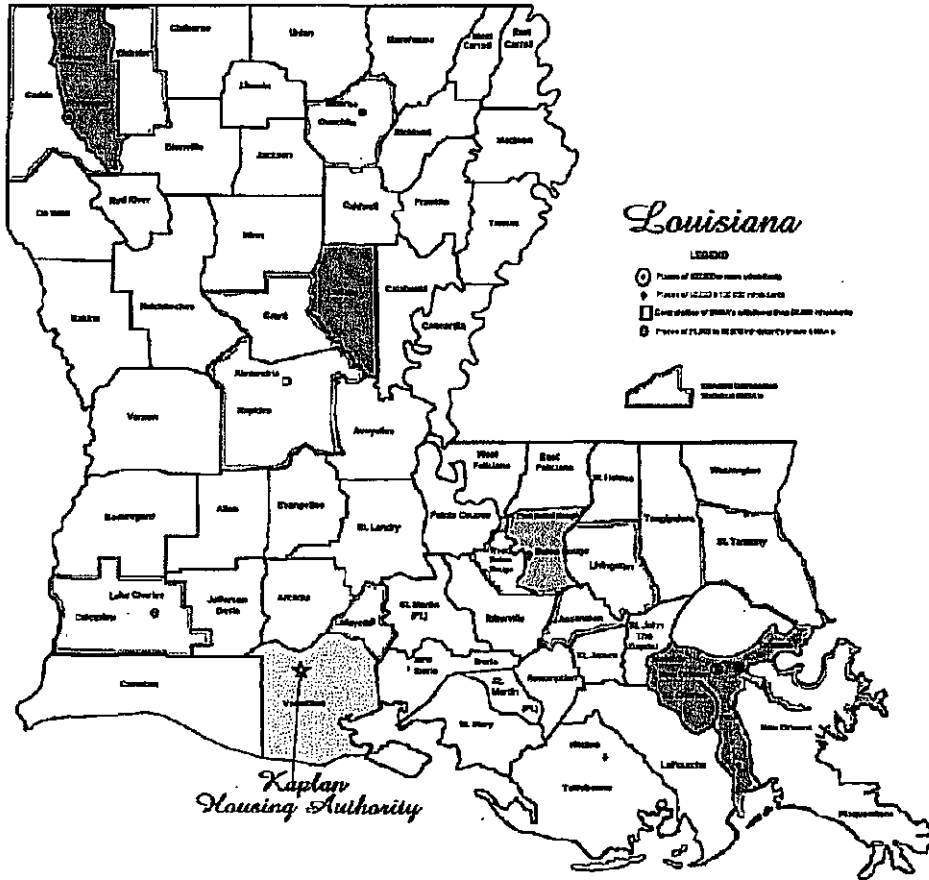
**Financial Statements and  
Supplemental Financial Information**

**June 30, 2007**

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 11/7/07

**HOUSING AUTHORITY OF THE TOWN OF KAPLAN  
KAPLAN, 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 Kaplan  
Kaplan, Louisiana**

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June 30, 2007**

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**JOHN R. VERCHER PC**  
*Certified Public Accountant*

P.O. Box 1608  
Jena, Louisiana 71342  
Tel: (318) 992-6348  
Fax: (318) 992-4374

**INDEPENDENT AUDITOR'S REPORT**

Housing Authority of the Town of Kaplan  
Kaplan, Louisiana

We have audited the accompanying financial statements of the Housing Authority of the Town of Kaplan, Louisiana as of and for the year ended June 30, 2007, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Authority of the Town of Kaplan, Louisiana's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the Town of Kaplan, Louisiana, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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*, we have also issued our report dated September 30, 2007, on our consideration of the Housing Authority of the Town of Kaplan, Louisiana's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the Town of Kaplan, Louisiana, basic financial statements. The financial data schedule (FDS) and supplemental statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial data schedule (FDS) and supplemental statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*John R. Vercher PC*

Jena, Louisiana  
September 30, 2007

**Housing Authority of the Town of Kaplan  
Management's Discussion and Analysis  
June 30, 2007**

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As management of the Kaplan Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities to consider the information presented here in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,844,566 (net assets), which is a \$77,943 increase from last year.
- As of the close of the current fiscal year, the Authority's ending unrestricted net assets were \$639,503, which is a \$77,209 decrease from last year.
- The Authority's cash and investment balance at June 30, 2007 was \$613,647.
- The Authority had total operating revenues of \$482,005, and total non-operating revenues of \$80,249, which is a \$47,989 decrease from last year's revenues.
- The Authority had total operating expenses of \$462,297, and total non-operating expenses of \$22,014, which is a \$23,886 decrease from last year's expenses..
- The Authority had a total change in net assets of \$77,943 for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction of the Authority's basic financial statements. The Authority's basic financial statements consist of the Statement of Net Assets, Statement of Revenues, 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 awards as supplemental information in addition to the basic financial statements themselves.

The Authority's has only one fund type, namely a proprietary fund. The statement of Net Assets included all of the Authority's assets and liabilities. This fund type is used for activities which are financial 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 Capital Fund Programs. Following is a brief description of each.

**Low Rent Public Housing** – Under the Conventional Public Housing Program, the housing authority rents units it owns to low-income families. The Conventional Public Housing Program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the authority to provide housing at a rent that is based upon 30% of adjusted gross household income.

**Housing Authority of the Town of Kaplan  
Management's Discussion and Analysis - Continued  
June 30, 2007**

**Capital Fund Program** – The Conventional Public Housing Program also includes the Capital Fund Program, the primary funding source for the authority's physical and management improvements. The formula funding methodology is based on size and age of the authority's units.

The Authority's overall financial position and operations for the year is summarized below based on the information in the current and prior year financial statements. The table below lists the Comparative Statement of Net Assets as of June 30, 2007.

**Statement of Net Assets**

<b>Assets</b>	<b>FYE 2006</b>	<b>FYE 2007</b>	<b>% Change</b>
Current Assets & Other Assets	\$ 741,940	\$ 683,356	-7.9%
Capital Assets, Net	1,049,911	1,205,063	14.8%
<b>Total Assets</b>	<u>1,791,851</u>	<u>1,888,419</u>	5.4%
<b>Liabilities</b>			
Current Liabilities	12,968	29,736	129.3%
Non-Current Liabilities	12,260	14,117	15.1%
<b>Total Liabilities</b>	<u>25,228</u>	<u>43,853</u>	73.8%
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,049,911	1,205,063	14.8%
Unrestricted	716,712	639,503	-10.8%
<b>Total Net Assets</b>	<u>\$ 1,766,623</u>	<u>\$ 1,844,566</u>	4.4%

- Total assets increased by \$96,568 or 5.4% from last year. The primary reason for this increase is due to an increase in Capital Assets.
- Total liabilities increased by \$18,625 or 73.8%. The primary reason for this change is due to an increase in Accounts Payable.
- Unrestricted assets decreased by \$77,209 or 10.8%. The increase in liabilities and decrease in cash and investments are the main contributors for this decrease.

**Housing Authority of the Town of Kaplan  
Management's Discussion and Analysis - Continued  
June 30, 2007**

The table below lists the revenues, expenses, and changes in net assets as of June 30, 2006 and June 30, 2007.

**Statement of Revenues, Expenses, & Changes in Net Assets**

	<u>FYE 2006</u>	<u>FYE 2007</u>	<u>% Change</u>
<b>Revenues</b>			
Tenant Revenue	\$ 237,043	\$ 250,479	5.7%
HUD Operating Grants	234,303	231,526	-1.2%
Capital Grants	69,480	72,208	3.9%
Interest	4,007	8,041	100.7%
Other	65,410	-0-	-100.0%
<b>Total Revenues</b>	<u>610,243</u>	<u>562,254</u>	-7.9%
<b>Expenses</b>			
Administration	93,844	102,684	9.4%
Depreciation	59,574	67,787	13.8%
Operation & Maintenance	150,668	110,012	-27.0%
Taxes & Insurance	48,733	52,400	7.5%
Utilities	152,363	125,422	-17.7%
Tenants	3,015	3,992	32.4%
Extraordinary Maintenance	-0-	22,014	100.0%
<b>Total Expenses</b>	<u>508,197</u>	<u>484,311</u>	-4.7%
<b>Changes in Net Assets</b>	102,046	77,943	-23.6%
<b>Beginning Net Assets</b>	1,664,577	1,766,623	6.1%
<b>Ending Net Assets</b>	\$ <u>1,766,623</u>	\$ <u>1,844,566</u>	4.4%

- Total revenues decreased by \$47,989 or 7.9%. The primary reason for this decrease is because the Authority received \$65,410 in Insurance Proceeds last year.
- Total expenses decreased by \$23,886 or 4.7%. The primary reasons for this decrease are due to a decrease in Operation & Maintenance and a decrease in Utilities.

**Housing Authority of the Town of Kaplan  
Management's Discussion and Analysis - Continued  
June 30, 2007**

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**Capital Asset & Debt Administration**

**Capital Assets**

As of June 30, 2007 the Authority's investment in capital assets was \$1,205,063 (net of accumulated depreciation). This investment includes land, building improvements, dwelling equipment and maintenance equipment.

	<u>2006</u>	<u>2007</u>
Capital Assets *	\$ 3,079,686	\$ 3,290,947
Less Accumulated Depreciation	(2,029,775)	(2,085,884)
Capital Assets, Net	\$ <u>1,049,911</u>	\$ <u>1,205,063</u>

\* Land in the amount of \$162,549 is not being depreciated.

**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 2008. Therefore, any results of budget shortfalls cannot be determined.

**Contacting the Authority's Finance 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 Kaplan  
PO Box 246  
Kaplan, LA 70548

**Basic Financial Statements**

**Housing Authority of the Town of Kaplan  
Kaplan, Louisiana  
Statement of Fund Net Assets  
June 30, 2007**

<b>ASSETS</b>	<b><u>ENTERPRISE FUND</u></b>
<b>CURRENT ASSETS:</b>	
Cash & Cash Equivalents	\$ 136,678
Investments	468,544
Accounts Receivable	30,538
Inventories	12,288
Prepaid Items	26,883
<b>TOTAL CURRENT ASSETS</b>	<b><u>674,931</u></b>
<b>RESTRICTED ASSETS</b>	
Cash Tenants' Security Deposits	8,425
<b>TOTAL RESTRICTED ASSETS</b>	<b><u>8,425</u></b>
<b>NON-CURRENT ASSETS:</b>	
Capital Assets (Net of Accumulated Depreciation)	1,205,063
<b>TOTAL NON-CURRENT ASSETS</b>	<b><u>1,205,063</u></b>
<b>TOTAL ASSETS</b>	<b><u>1,888,419</u></b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	25,472
Accrued Compensated Absences	3,567
Deferred Revenues	697
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>29,736</u></b>
<b>NON-CURRENT LIABILITIES</b>	
Tenant Security Deposits	8,425
Accrued Compensated Absences	5,692
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b><u>14,117</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>43,853</u></b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,205,063
Unrestricted	639,503
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,844,566</u></b>

The accompanying notes are an integral part of this statement.

**Housing Authority of the Town of Kaplan  
Kaplan, Louisiana  
Statement of Revenues, Expenses, & Changes In Fund Net Assets  
Year Ended June 30, 2007**

	<b>ENTERPRISE FUND</b>
<b>OPERATING REVENUES:</b>	
Tenant Rental Revenue	\$ 161,721
Tenant Revenue Other	88,758
HUD PHA Operating Grant	231,526
<b>TOTAL OPERATING REVENUE</b>	<b>482,005</b>
 <b>OPERATING EXPENSES</b>	
<i>Administration:</i>	
Administrative Salaries	44,346
EBC Administrative	26,159
Other Operating - Administrative	32,179
Tenant Services	166
<i>Cost of Sales &amp; Service:</i>	
Water	20,923
Electricity	81,217
Gas	23,282
Ordinary Maintenance – Labor	46,891
Materials	23,288
Contract Cost	15,482
EBC Maintenance	24,351
Insurance	41,097
Payment in Lieu of Taxes	11,303
Bad Debt-Tenant's Rent	3,826
<i>Depreciation</i>	67,787
<b>TOTAL OPERATING EXPENSES</b>	<b>462,297</b>
 <b>OPERATING INCOME (LOSS)</b>	 <b>19,708</b>
 <b>NONOPERATING REVENUE (EXPENSE)</b>	
Extraordinary Maintenance	(22,014)
Federal Grants	72,208
Interest Earnings	8,041
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>58,235</b>
 <b>CHANGE IN NET ASSETS</b>	 <b>77,943</b>
 <b>TOTAL NET ASSETS – BEGINNING</b>	 <b>1,766,623</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 1,844,566</b>

The accompanying notes are an integral part of this statement.

**Housing Authority of the Town of Kaplan  
Kaplan, Louisiana  
Statement of Cash Flows  
Year Ended June 30, 2007**

	<b>ENTERPRISE FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts From Customers & Users	\$ 251,335
Receipts From Operating Subsidy	200,988
Payments to Suppliers	(287,194)
Payments to Employees	(89,258)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>75,871</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Subsidy From Federal Grants	72,208
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>72,208</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	
Acquisition & Construction of Capital Assets	(222,939)
Extraordinary Maintenance	(22,014)
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(244,953)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investments	(408,544)
Interest & Dividends Received	8,041
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(400,503)</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(497,377)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>642,480</b>
<b>CASH, END OF YEAR</b>	<b>\$ 145,103</b>

The accompanying notes are an integral part of this statement.

**Housing Authority of the Town of Kaplan  
Kaplan, Louisiana  
Statement of Cash Flows  
Year Ended June 30, 2007**

**Reconciliation**

<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	<u>19,708</u>
Depreciation Expense	67,787
(Increase) Decrease in Accounts Receivable	(30,538)
(Increase) Decrease in Prepaid Items	(425)
(Increase) Decrease in Inventories	714
Increase (Decrease) in Deferred Revenues	(19)
Increase (Decrease) in Accounts Payable	15,790
Increase (Decrease) in Compensated Absences	1,979
Increase (Decrease) in Security Deposits	<u>875</u>
<b>TOTAL ADJUSTMENTS</b>	<u><u>56,163</u></u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>75,871</u></u>
 <b>LISTING OF NONCASH INVESTING, CAPITAL, &amp; FINANCIAL ACTIVITIES</b>	
Contributions of Capital Assets From Government	<u>\$ -0-</u>

The accompanying notes are an integral part of this statement.

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

**Notes to the Basic Financial Statements**

**INTRODUCTION**

The Housing Authority of the Town of Kaplan is an 86 unit apartment complex for persons of low income located in Kaplan, 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 Kaplan, 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 Kaplan, Louisiana. Each member serves a four-year term and receives no compensation for their services. 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 Kaplan because the Town of Kaplan appoints a voting majority of the Housing Authority's governing board. The Town of Kaplan 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 Kaplan. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Town of Kaplan.

**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 the PHA 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.

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

**Notes to the Basic Financial Statements - (Continued)**

**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. The PHA applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. The PHA's funds 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.

**1. SUMMARY OF ORGANIZATION & 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.

**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.

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 revenue. 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.

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

**Notes to the Basic Financial Statements - (Continued)**

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.

**C. DEPOSITS & INVESTMENTS**

The Housing 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 Housing 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 housing authority are reported at fair value.

**D. RECEIVABLES & 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 basic financial statements, are offset by a restriction on net assets. All trade and other receivables are shown net of an allowance for uncollectives.

**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 government-wide and fund financial statements.

**F. CAPITAL ASSETS**

Capital Assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable columns in the government-wide financial statements. Capital assets are capitalized at historical cost. The housing 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.

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

**Notes to the Basic Financial Statements - (Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$-0-. Of this amount, \$-0- was included as part of the cost of capital assets under construction in connection with construction projects.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	20 years
Building Improvements	10 years
Furniture & Fixtures	5 years
Vehicles	5 years
Equipment	5 years

**G. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**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.

**J. COMPENSATED ABSENCES**

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

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

**Notes to the Basic Financial Statements - (Continued)**

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

At June 30, 2007, the housing authority has cash and investments (book balances) totaling \$613,647 as follows:

Demand deposits	\$	145,103
Time deposits		<u>468,544</u>
<b>Total</b>	<b>\$</b>	<b><u>613,647</u></b>

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 June 30, 2007, the housing authority has \$640,580 in deposits (collected bank balances). These deposits are secured from risk by \$300,000 of federal deposit insurance and \$747,004 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the housing authority or its agent in the housing authority's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the housing 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 housing authority's name.

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

**Notes to the Basic Financial Statements - (Continued)**

**3. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land (Not Depreciated)	\$ 162,549	\$ -0-	\$ -0-	\$ 162,549
Leasehold Improvements	507,974	-0-	-0-	507,974
Buildings	2,252,505	137,200	-0-	2,389,705
Furniture & Equipment, Etc.	11,678	13,531	(11,678)	13,531
CFP Capital Assets	144,980	72,208	-0-	217,188
<b>Total Capital Assets</b>	<u>3,079,686</u>	<u>222,939</u>	<u>(11,678)</u>	<u>3,290,947</u>
<b>Less Accumulated Depreciation</b>	<u>(2,029,775)</u>	<u>(67,787)</u>	<u>-0-</u>	<u>(2,085,884)</u>
<b>Net Capital Assets</b>	<u>\$ 1,049,911</u>	<u>\$ 155,152</u>	<u>\$ (11,678)</u>	<u>\$ 1,205,063</u>

Depreciation expense of \$67,787 for the year ended June 30, 2007 was charged to the following functions:

Buildings	\$ 59,964
Leasehold Improvements	6,470
Furniture & Equipment	1,353
<b>Total Depreciation Expense</b>	<u>\$ 67,787</u>

Land in the amount of \$162,549 is not depreciated.

**4. ACCOUNTS, SALARIES & OTHER PAYABLES**

The payables of \$25,472 at June 30, 2007 are as follows:

Accounts Payable Contractors	\$ 25,472
<b>Total</b>	<u>\$ 25,472</u>

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

**Notes to the Basic Financial Statements - (Continued)**

**5. RETIREMENT SYSTEMS**

The housing authority provides benefits for all full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The entity contributes 8.5% of the employee's effective compensation. The housing authority's contributions for each employee (and interest allocated to the employee account) vest at 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

The housing authority's total payroll for the fiscal year ending June 30, 2007 was \$91,237. The housing authority's contributions were calculated using the base salary amount of \$91,237. Contributions to the plan were \$7,755 for the year ended June 30, 2007, of which \$7,755 was paid by the housing authority and \$-0- was paid by employees.

**6. CONTINGENT LIABILITIES**

At June 30, 2007, 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.

Second, the PHA has held its current and prior year pilot (payment in lieu of taxes) to the Town of Kaplan to reimburse the PHA for meter reading services that are normally provided by the town.

The pilot was recorded as expense in all years and offset by revenue charges for services performed for the town.

**7. NEW FINANCIAL REPORTING MODEL**

The accompanying basic financial statements of the housing authority have been prepared in conformity with Governmental Accounting Standards Board Statement No. 34. The statement, referred to above as the new reporting model, contains two significant changes; Management's Discussion & Analysis (MD&A) and Government Wide Financial Statements (GWFS). The most apparent modification to the format of the old reporting model that is being carried forward will be the display of major funds in the fund financial statements (FFS), rather than the traditional fund-type display.

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

**Notes to the Basic Financial Statements - (Continued)**

**8. COMPENSATED ABSENCES**

The housing authority has the following policy relating to vacation and sick leave:

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 June 30, 2007, employees of the PHA have accumulated and vested \$9,259 of employee leave benefits, computed in accordance with GASB Codification Section C60. The balance of accrued compensated absences at June 30, 2007 was \$3,567 recorded as current obligation and \$5,692 recorded as non-current obligation.

**9. 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 \$303,734 to the housing authority, which represents approximately 54% of the housing authority's revenue for the year.

**Other Supplemental Statements  
& Schedules**

**Housing Authority of the Town of Kaplan  
Kaplan, Louisiana  
Schedule of Compensation Paid to Board Members  
Year Ended June 30, 2007**

<u>Board Member</u>	<u>Title</u>
Paul Meaux	Chairman
Lynn Toups	Vice Chairman
Beverly Hargrave	Commissioner
Jean Goodie	Commissioner
Charles Bouque	Commissioner

The board members were paid no compensation for their services.

**Housing Authority of the Town of Kaplan  
Kaplan, Louisiana  
Statement and Certification of Actual Modernization Cost  
Annual Contribution Contract**

	<u>Project 2003-502</u>	<u>Project 2003-501</u>	<u>Project 2006-501</u>	<u>Total</u>
<b>The Actual Modernization Costs Are As Follows:</b>				
1. Funds Approved	\$ 27,968	\$ 140,338	\$ 131,807	300,113
Funds Expended	<u>(27,968)</u>	<u>(140,338)</u>	<u>(41,832)</u>	<u>(210,138)</u>
Excess of Funds Approved	<u>-0-</u>	<u>-0-</u>	<u>89,975</u>	<u>89,975</u>
2. Funds Advanced	27,968	140,338	41,832	210,138
Funds Expended	<u>(27,968)</u>	<u>(140,338)</u>	<u>(41,832)</u>	<u>(210,138)</u>
Excess of Funds Advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-0-</u>

The accompanying notes are an integral part of this statement.

**Other Reports**

**JOHN R. VERCHER PC**  
*Certified Public Accountant*

P.O. Box 1608  
Jena, Louisiana 71342  
Tel: (318) 992-6348  
Fax: (318) 992-4374

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Housing Authority of the Town of Kaplan  
Kaplan, Louisiana

We have audited the accompanying basic financial statements of the Housing Authority of the Town of Kaplan, Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated September 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Housing Authority of the Town of Kaplan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Town of Kaplan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Town of Kaplan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the Town of Kaplan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority of the Town of Kaplan's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Kaplan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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*

September 30, 2007

Jena, Louisiana

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

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
For the Year Ended June 30, 2007**

We have audited the basic financial statements which collectively comprise the Housing Authority of the Town of Kaplan, Louisiana, as of and for the year ended June 30, 2007 and have issued our report thereon dated September 30, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the basic financial statements as of June 30, 2007 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

**a. Report on Internal Control and Compliance Material to the Basic Financial Statements**

Internal Control

Material Weaknesses     Yes    No    Reportable Conditions     Yes    No

Compliance

Compliance Material to Basic Financial Statements     Yes    No

**b. Federal Awards – (Not Applicable)**

Internal Control

Material Weaknesses     Yes    No    Reportable Conditions     Yes    No

Type of Opinion On Compliance     Unqualified                       Qualified  
For Major Programs                       Disclaimer                       Adverse

Are the findings required to be reported in accordance with Circular A-133, Section .510(a)?

Yes     No

**c. Identification Of Major Programs:**

**CFDA Number (s)**

**Name Of Federal Program (or Cluster)**

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Dollar threshold used to distinguish between Type A and Type B Programs:                      \$

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?                       Yes     No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COST  
For the Year Ended June 30, 2007**

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

No items to report.

**Section III – Internal Control**

No items to report.

**Section IV Federal Awards Findings and Questioned Costs.**

Not applicable.

**JOHN R. VERCHER PC**  
*Certified Public Accountant*

P.O. Box 1608  
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**MANAGEMENT LETTER COMMENTS**

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

**CURRENT YEAR MANAGEMENT LETTER COMMENTS**

There are no current year comments.

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

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

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

The management of the Housing Authority of the Town of Kaplan, Louisiana 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 June 30, 2006.

**PRIOR YEAR FINDINGS**

**2006-M-1 Investment of Excess Cash (Resolved)**

***Finding:*** The housing authority had large excess cash reserves in an interest bearing checking account.

***Recommendation:*** The housing authority may consider investing excess cash in certificates of deposit and related investment vehicles in order to maximize interest income.

***Village's Corrective Action:*** The housing authority invested excess cash into certificates of deposit and related investment vehicles in order to maximize interest income.

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$136,678	\$0	\$136,678
114	Cash - Tenant Security Deposits	\$8,425	\$0	\$8,425
100	Total Cash	\$145,103	\$0	\$145,103
122	Accounts Receivable - HUD Other Projects	\$0	\$25,342	\$25,342
124	Accounts Receivable - Other Government	\$5,196	\$0	\$5,196
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$5,196	\$25,342	\$30,538
131	Investments - Unrestricted	\$468,544	\$0	\$468,544
142	Prepaid Expenses and Other Assets	\$26,883	\$0	\$26,883
143	Inventories	\$12,289	\$0	\$12,289
143.1	Allowance for Obsolete Inventories	\$-1	\$0	\$-1
150	Total Current Assets	\$658,014	\$25,342	\$683,356
161	Land	\$162,549	\$0	\$162,549
162	Buildings	\$2,389,705	\$0	\$2,389,705
164	Furniture, Equipment & Machinery - Administration	\$13,531	\$0	\$13,531
165	Leasehold Improvements	\$507,974	\$0	\$507,974
166	Accumulated Depreciation	\$-2,085,884	\$0	\$-2,085,884
167	Construction In Progress	\$0	\$217,188	\$217,188
160	Total Fixed Assets, Net of Accumulated Depreciation	\$987,875	\$217,188	\$1,205,063
180	Total Non-Current Assets	\$987,875	\$217,188	\$1,205,063
190	Total Assets	\$1,645,889	\$242,530	\$1,888,419

PHA: LA026 FYED: 06/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$130	\$25,342	\$25,472
322	Accrued Compensated Absences - Current Portion	\$3,567	\$0	\$3,567
341	Tenant Security Deposits	\$8,425	\$0	\$8,425
342	Deferred Revenues	\$697	\$0	\$697
310	Total Current Liabilities	\$12,819	\$25,342	\$38,161
354	Accrued Compensated Absences - Non Current	\$5,692	\$0	\$5,692
350	Total Noncurrent Liabilities	\$5,692	\$0	\$5,692
300	Total Liabilities	\$18,511	\$25,342	\$43,853
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$987,875	\$217,188	\$1,205,063
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$639,503	\$0	\$639,503
513	Total Equity/Net Assets	\$1,627,378	\$217,188	\$1,844,566
600	Total Liabilities and Equity/Net Assets	\$1,645,889	\$242,530	\$1,888,419

PHA: LA026 FYED: 06/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$161,721	\$0	\$161,721
704	Tenant Revenue - Other	\$76,735	\$0	\$76,735
705	Total Tenant Revenue	\$238,456	\$0	\$238,456
706	HUD PHA Operating Grants	\$226,976	\$4,550	\$231,526
706.1	Capital Grants	\$0	\$72,208	\$72,208
711	Investment Income - Unrestricted	\$8,041	\$0	\$8,041
715	Other Revenue	\$12,023	\$0	\$12,023
700	Total Revenue	\$485,496	\$76,758	\$562,254

PHA: LA026 FYED: 06/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$44,346	\$0	\$44,346
912	Auditing Fees	\$4,690	\$0	\$4,690
914	Compensated Absences	\$1,980	\$0	\$1,980
915	Employee Benefit Contributions - Administrative	\$26,159	\$0	\$26,159
916	Other Operating - Administrative	\$23,959	\$1,550	\$25,509
924	Tenant Services - Other	\$166	\$0	\$166
931	Water	\$20,923	\$0	\$20,923
932	Electricity	\$81,217	\$0	\$81,217
933	Gas	\$23,282	\$0	\$23,282
941	Ordinary Maintenance and Operations - Labor	\$46,891	\$0	\$46,891
942	Ordinary Maintenance and Operations - Materials and Other	\$23,288	\$0	\$23,288
943	Ordinary Maintenance and Operations - Contract Costs	\$15,482	\$0	\$15,482
945	Employee Benefit Contributions - Ordinary Maintenance	\$24,351	\$0	\$24,351
961	Insurance Premiums	\$41,097	\$0	\$41,097
963	Payments in Lieu of Taxes	\$11,303	\$0	\$11,303
964	Bad Debt - Tenant Rents	\$3,826	\$0	\$3,826
969	Total Operating Expenses	\$392,960	\$1,550	\$394,510
970	Excess Operating Revenue over Operating Expenses	\$92,536	\$75,208	\$167,744
971	Extraordinary Maintenance	\$22,014	\$0	\$22,014
974	Depreciation Expense	\$67,787	\$0	\$67,787
900	Total Expenses	\$482,761	\$1,550	\$484,311
1001	Operating Transfers In	\$3,000	\$0	\$3,000
1002	Operating Transfers Out	\$0	\$-3,000	\$-3,000
1010	Total Other Financing Sources (Uses)	\$3,000	\$-3,000	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$5,735	\$72,208	\$77,943

PHA: LA026 FYED: 06/30/2007

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	\$1,621,643	\$144,980	\$1,766,623
1120	Unit Months Available	1,032	0	1,032
1121	Number of Unit Months Leased	1,013	0	1,013