

**NATCHITOCHEs HOUSING CORPORATION  
(A NONPROFIT ORGANIZATION)**

**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

**FORTY-EIGHT MONTHS ENDED APRIL 30, 2004**

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

Release Date 11-10-04

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Independent Auditor's Report

*Board of Commissioners*  
Natchitoches Housing Corporation  
Natchitoches, Louisiana

We have audited the accompanying statements of financial position of the Natchitoches Housing Corporation (a nonprofit organization) as of April 30, 2001, 2002, 2003, and 2004, and the related statements of activities, and cash flows for the four years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Natchitoches Housing Corporation as of April 30, 2001, 2002, 2003 and 2004, and the changes in its net assets and its cash flows for the years 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 October 19, 2004, on our consideration of the Natchitoches Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mike Estes, P.C.  
Fort Worth, Texas  
October 19, 2004

NATCHITOCHEES HOUSING CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
48 MONTHS ENDED APRIL 30, 2004

	<u>Year Ended</u> <u>April 30, 2004</u>	<u>Year Ended</u> <u>April 30, 2003</u>	<u>Year Ended</u> <u>April 30, 2002</u>	<u>Year Ended</u> <u>April 30, 2001</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 39,959	\$ 38,402	\$ 21,597	\$ 16,772
Investments	32,489	31,905	31,105	30,000
Accounts receivable - Note 5	1,000	1,000	1,000	1,000
<b>Total Current Assets</b>	<u>73,448</u>	<u>71,307</u>	<u>53,702</u>	<u>47,772</u>
<b>FIXED ASSETS</b>				
Land buildings, and equipment, net	11,791	12,505	23,220	23,934
<b>Total Fixed Assets</b>	<u>11,791</u>	<u>12,505</u>	<u>23,220</u>	<u>23,934</u>
<b>TOTAL ASSETS</b>	<u>85,239</u>	<u>83,812</u>	<u>76,922</u>	<u>71,706</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 98	\$ 81	\$ 79	\$ 78
<b>Total Current Liabilities</b>	<u>98</u>	<u>81</u>	<u>79</u>	<u>78</u>
<b>CURRENT LIABILITIES - payable from Current Restricted Assets</b>				
Deposits due others	350	350	350	350
<b>Total Liabilities</b>	<u>448</u>	<u>431</u>	<u>429</u>	<u>428</u>
<b>NET ASSETS</b>	<u>84,791</u>	<u>83,381</u>	<u>76,493</u>	<u>71,278</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>85,239</u>	<u>83,812</u>	<u>76,922</u>	<u>71,706</u>

The Notes to the Financial Statements are an integral part of these statements.

NATCHITOCHEs HOUSING CORPORATION  
STATEMENTS OF ACTIVITIES  
48 MONTHS ENDED APRIL 30, 2004

	<u>Year Ended</u> <u>April 30, 2004</u>	<u>Year Ended</u> <u>April 30, 2003</u>	<u>Year Ended</u> <u>April 30, 2002</u>	<u>Year Ended</u> <u>April 30, 2001</u>
Unrestricted Net Assets				
Unrestricted revenues				
Dwelling rental	\$ 3,600	\$ 3,655	\$ 3,600	\$ 3,900
Management fees	16,000	16,000	16,000	19,000
Interest earnings	839	1,164	1,504	321
Total Unrestricted Revenue	<u>20,439</u>	<u>20,819</u>	<u>21,104</u>	<u>23,221</u>
EXPENSES				
Administration	9,414	7,253	8,550	7,320
Ordinary maintenance & operations	4,401	1,464	2,125	1,903
Protective services	4,500	4,500	4,500	4,500
Depreciation	714	714	714	715
Total Expenses	<u>19,029</u>	<u>13,931</u>	<u>15,889</u>	<u>14,438</u>
Increase in unrestricted net assets	<u>1,410</u>	<u>6,888</u>	<u>5,215</u>	<u>8,783</u>
Net Assets at Beginning of Year	<u>83,381</u>	<u>76,493</u>	<u>71,278</u>	<u>31,993</u>
Prior year adjustment – Note 4	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,502</u>
Net assets at beginning of year, restated	<u>83,381</u>	<u>76,493</u>	<u>71,278</u>	<u>62,495</u>
Net Assets at End of Year	<u>84,791</u>	<u>83,381</u>	<u>76,493</u>	<u>71,278</u>

The Notes to the Financial Statements are an integral part of these statements.

NATCHITOCHESES HOUSING CORPORATION  
STATEMENTS OF CASH FUNDS  
48 MONTHS ENDED APRIL 30, 2004

	<u>Year Ended</u> <u>April 30, 2004</u>	<u>Year Ended</u> <u>April 30, 2003</u>	<u>Year Ended</u> <u>April 30, 2002</u>	<u>Year Ended</u> <u>April 30, 2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase in net assets	\$ 1,410	\$ 6,888	\$ 5,215	\$ 8,783
Collection of accounts receivable – Note 4	0	0	0	30,502
Adjustments to reconcile increase in net assets to net cash provided by Operating activities:				
Depreciation	714	714	714	714
Increase (decrease) in operating liabilities	18	3	1	(84)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,142</u>	<u>7,605</u>	<u>5,930</u>	<u>39,915</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Increase) in investments	<u>(585)</u>	<u>(800)</u>	<u>(1,105)</u>	<u>(30,000)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>(585)</u>	<u>(800)</u>	<u>(1,105)</u>	<u>(30,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Sale of land proceeds	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>0</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,557	16,805	4,825	9,915
Beginning cash and cash equivalents	<u>38,402</u>	<u>21,597</u>	<u>16,772</u>	<u>6,857</u>
Ending cash and cash equivalents	<u>39,959</u>	<u>38,402</u>	<u>21,597</u>	<u>16,772</u>

The Notes to the Financial Statements are an integral part of these statements.

NATCHITOCHEES HOUSING CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

FORTY-EIGHT MONTHS ENDED APRIL 30, 2004

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**A. NATURE OF ACTIVITIES AND REPORTING ENTITY** The Natchitoches Housing Corporation was organized on May 13, 1986, as a non-profit corporation within the applicable laws of the State of Louisiana. The corporation is authorized to acquire or develop low income housing projects and carry out the financing of the projects and the responsibilities required of it under applicable HUD regulations. The original cash funds were excess Section Eight administration proceeds received from the Housing Authority of the City of Natchitoches. Proceeds were received at a time when the Authority was allowed, by federal regulations, to transfer excess administration fees from the Section Eight program.

The Organization is primarily supported by management fees. As Managing General Partner, it manages Fairgrounds Road Redevelopment Partnership, L.P., a limited Louisiana partnership, that owns and operates a multi-family rental complex located in Natchitoches, Louisiana. Monthly management fees are earned at the greater of (1) \$1,000 per month, or (2) 8% of the total monthly gross receipts of the apartment complex's operation.

In addition, the Organization has earned \$4,000 per annum as an asset management fee from the partnership, per term of the partnership agreement.

Fairgrounds Road Redevelopment Partnership, L.P. has been audited through December 31, 2003, by another CPA firm.

In addition, the Organization owns and leases a lot and rent house it purchased in 1987. Rent is \$300 per month.

Administrative expenses incurred by the Organization are primarily expenses related to providing various support services to the Housing Authority of the City of Natchitoches.

**B. BASIS OF ACCOUNTING** The financial statements of the Organization are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

**C. USE OF ESTIMATES** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NATCHITOCHEs HOUSING CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

FORTY-EIGHT MONTHS ENDED APRIL 30, 2004

- D. PROPERTY AND EQUIPMENT** Property is recorded at cost. Depreciation is computed using the straight-line method over an estimated useful life of 31.5 years for the rent house. Maintenance and repairs are charged to current operations as incurred while significant betterments are capitalized. Upon disposal of depreciable property the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations.
- E. RENTAL INCOME** Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. The lease between the Partnership and the tenant of the property is an operating lease.
- F. INCOME TAXES** No provision is made for income taxes since this is a non-profit entity.
- G. CASH AND CASH EQUIVALENTS** For purposes of the statement of cash flows, the Organization considers all unrestricted checking accounts and any unrestricted investment instrument purchased with a maturity of three months or less to be cash equivalents.

**NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS** The Organization has two checking and one Certificate of Deposit at one financial institution. The accounts, in total, are insured by the Federal Deposit Insurance Corporation, up to \$100,000.

**NOTE 3 – COMMITMENTS AND CONTINGENCIES**

**Litigation** The Housing Authority is not presently involved in litigation.

**NOTE 4 – PRIOR YEAR ADJUSTMENT** In prior years, the Natchitoches Housing Corporation paid certain construction and development costs of \$30,502 on behalf of the Fairgrounds Roads Redevelopment Partnership, L.P. This amount was not shown as an accounts receivable by the Natchitoches Housing Corporation, at April 30, 2000.

**NOTE 5 – ACCOUNTS RECEIVABLE** At year-end, \$1,000 of management fees are due, from the Fairgrounds Roads Redevelopment Partnership, L.P.

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**Report on Compliance and on Internal Control Over Financial Reporting**  
**Based on an Audit of Financial Statements Performed in**  
**Accordance with Governmental Auditing Standards**

Board of Commissioners  
Natchitoches Housing Corporation

We have audited the financial statements of the Natchitoches Housing Corporation (a nonprofit organization) as of and for the years ended April 30, 2001, 2002, 2003 and 2004, and have issued our report thereon dated October 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Natchitoches Housing Corporation'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Natchitoches Housing Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Audit Finding #04-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Natchitoches Housing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Audit Finding #04-01.

This report is intended for the information of the audit committee, management, and Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties. Under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P.C.  
Fort Worth, Texas  
October 19, 2004

NATCHITOCHEs HOUSING CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FORTY-EIGHT MONTHS ENDED APRIL 30, 2004

Prior Audit Findings

There were no prior audit findings.

Current Audit Findings

Finding 04-01 – Board Meeting Expenses Are Considered Excessive

Statement Of Condition

The Board of Commissioners are the same for the Natchitoches Housing Corporation and the Housing Authority of the City of Natchitoches. The Board meets monthly, and attends to business for both entities at the same time.

For quarterly meetings, meals are offered to the Housing Authority's administrative staff, the Head of Maintenance, and the Board of Commissioners, all of which may not attend a given meeting. In addition, for the end of year Board meeting, the spouses of the above listed may attend also.

The incurred meal expense is considered at least excessive, if not an inappropriate, use of funds earned by a nonprofit corporation chartered in Louisiana.

Criteria

Expenses should be ordinary and necessary to the production of income for a nonprofit. The civic contribution of all Board members and also employees recognized for meritorious service should be recognized, but the costs incurred are considered excessive.

Effect and Questioned Costs

The funds spent on meals could be re-directed to housing activities. The approximate total amount spent, and considered questioned costs, are as follows:

Year ended	April 30, 2001	\$ 2,134
Year ended	April 30, 2002	2,316
Year ended	April 30, 2003	2,820
Year ended	April 30, 2004	4,086

Cause

Unknown

Recommendation

The Organization should cease providing meals on a quarterly basis. It appears the state statutes do allow the Organization to pay Board members a per diem for meeting attendance. If the Corporation wants to consider per diems, it should consult the Authority's attorney to review the requirements and documentation.

Corrective Action Plan – Response – 04-01

I am Monica McKinney, Secretary of the Natchitoches Housing Corporation and also the Executive Director of the Housing Authority of the City of Natchitoches. We will comply with the above.