

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

**Annual Financial Statements
June 30, 2011**

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

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June 30, 2011**

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John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

JOHN R. VERCHER PC
Certified Public Accountants

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 Newellton, Louisiana

We have audited the accompanying basic financial statements of the Housing Authority of the Town of Newellton as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion 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 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 financial position of the Housing Authority of the Town of Newellton, as of June 30, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the Housing Authority of the Town of Newellton'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the authority's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Financial Data Schedule (FDS), required by HUD, and supplementary schedules, statements and information are presented for purposes of additional analysis, and are also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, the Financial Data Schedule (FDS), and supplementary schedules, statements and information 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

December 2, 2011
Jena, Louisiana

**Housing Authority of the Town of Newellton
Management's Discussion and Analysis
June 30, 2011**

As management of the Housing Authority of the Town of Newellton, we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements, which are attached.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$276,125 (net assets).

As of the close of the current fiscal year, the Authority's ending unrestricted net assets were \$26,063 and restricted net assets were \$250,062.

The Authority's cash balance at June 30, 2011, was \$30,881 and the restricted cash balance was \$250,063.

The Authority had total revenue of \$866,237, in which \$865,582 was operating revenue and \$655 was non-operating revenue.

The Authority had total expenses of \$800,488, in which \$800,488 was operating expenses and \$-0- was non-operating expenses.

The Authority had a change in net assets of \$65,749.

Overview of the Basic Financial Statements

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) basic financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Authority is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are required to be presented as the basic financial statements.

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 activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Authority is reported as proprietary fund type.

**Housing Authority of the Town of Newellton
Management's Discussion and Analysis - Continued
June 30, 2011**

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

The table below lists the asset and liability comparisons for the year ended June 30, 2011.

Statement of Net Assets

		<u>2010</u>		<u>2011</u>	<u>% Change</u>
Current Assets	\$	28,450	\$	32,407	13.9
Restricted Assets		188,271		250,063	32.8
Total Assets		<u>216,721</u>		<u>282,470</u>	30.3
Current Liabilities		1,692		1,650	-2.5
Non-Current Liabilities		<u>4,653</u>		<u>4,695</u>	0.9
Total Liabilities		<u>6,345</u>		<u>6,345</u>	0.0
Restricted Assets		188,271		250,062	32.8
Unrestricted Net Assets		<u>22,105</u>		<u>26,063</u>	17.9
Total Net Assets	\$	<u>210,376</u>	\$	<u>276,125</u>	31.3

- Total assets increased by \$65,749 or 30.3% from last year. The reason for this increase is due to an increase in restricted cash of \$61,792.
- Total liabilities remained the same throughout the year.
- Total net assets increased by \$65,749 or 31.3%. The increase in restricted cash is the main contributors for this increase.

**Housing Authority of the Town of Newellton
Management's Discussion and Analysis - Continued
June 30, 2011**

The table below lists the revenue and expense comparisons for the year ended June 30, 2011.

Statement of Revenues, Expenses, & Change in Net Assets

	<u>2010</u>	<u>2011</u>	<u>% Change</u>
Revenue			
HUD Operating Grant	\$ 773,837	\$ 865,582	11.9
Total Revenue	<u>773,837</u>	<u>865,582</u>	11.9
Expenses			
Housing Assistance Payments	710,769	701,159	-1.4
Administrative	91,201	88,013	-3.5
Utilities	2,552	2,666	4.5
General Expenses	9,248	8,650	-6.5
Total Expenses	<u>813,770</u>	<u>800,488</u>	-1.6
Operating Income (Loss)	(39,933)	65,094	263.0
Non-Operating Revenue (Expenses)			
Other Revenue	-0-	191	100.0
Investment Income	407	464	14.0
Repayment of Settlement	(6,650)	-0-	-100.0
Total Non-Operating Revenue (Expenses)	<u>(6,243)</u>	<u>655</u>	-110.5
Change in Net Assets	(46,176)	65,749	242.4
Net Assets – Beginning	256,552	210,376	-18.0
Net Assets – Ending	<u>\$ 210,376</u>	<u>\$ 276,125</u>	31.3

- Operating revenues increased by \$91,745 or 11.9%. This increase is due to an increase in HUD Operating Grants in the amount of \$91,745.
- Operating expenses decreased by \$13,282 or 1.6%. The primary cause of this decrease is due to a decrease in housing assistance payments in the amount of \$9,610.
- Non-operating revenues (expenditures) increased by \$6,898 or 110.5% due to a decrease in settlement repayments of \$6,650.

**Housing Authority of the Town of Newellton
Management's Discussion and Analysis - Continued
June 30, 2011**

Capital Asset & Debt Administration

Capital Assets

As of June 30, 2011, the Authority's investment in capital assets was \$-0- (net of accumulated depreciation). This investment included a portable building, furniture, and equipment.

Capital Assets	2010	2011
Portable Building	\$ 10,725	\$ 10,725
Furniture & Equipment	10,840	10,840
Accumulated Depreciation	(21,565)	(21,565)
Capital Assets, Net of Accumulated Depreciation	\$ -0-	\$ -0-

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 2012 year. Therefore, any results of budget shortfalls cannot be determined.

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

Contacting the Authority's Financial Management

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

Housing Authority of the Town of Newellton
PO Box 1021
Newellton, LA 71357-1021
(318) 467-2151

Basic Financial Statements

**Housing Authority of the Town of Newellton
Newellton, Louisiana
Statement of Net Assets
June 30, 2011**

		<u>ENTERPRISE FUNDS</u>
CURRENT ASSETS		
Cash & Cash Equivalents	\$	30,881
Prepaid Expenses		1,526
RESTRICTED ASSETS:		
Other Restricted Cash		<u>250,063</u>
TOTAL CURRENT ASSETS		<u>282,470</u>
 TOTAL ASSETS		 <u>282,470</u>
 CURRENT LIABILITIES		
Accrued Compensated Absences		<u>1,650</u>
TOTAL CURRENT LIABILITIES		<u>1,650</u>
 NON CURRENT LIABILITIES		
Accrued Compensated Absences		<u>4,695</u>
TOTAL NON CURRENT LIABILITIES		<u>4,695</u>
 TOTAL LIABILITIES		 <u>6,345</u>
 NET ASSETS		
Restricted		250,062
Unrestricted		<u>26,063</u>
TOTAL NET ASSETS	\$	<u>276,125</u>

The accompanying notes are an integral part of this statement.

**Housing Authority of the Town of Newellton
Newellton, Louisiana
Statement of Revenues, Expenses, & Changes In
Net Assets – Proprietary Funds
Year Ended June 30, 2011**

	ENTERPRISE FUND
OPERATING REVENUES	
HUD PHA Operating Grant	\$ 865,582
TOTAL OPERATING REVENUE	865,582
OPERATING EXPENSES	
Housing Assistance Payments	701,159
Administration	88,013
Utilities	2,666
Other General Expenses	8,650
TOTAL OPERATING EXPENSES	800,488
OPERATING INCOME (LOSS)	65,094
NONOPERATING REVENUE (EXPENSE)	
Other Revenue	191
Interest Earnings	464
TOTAL NONOPERATING REVENUE (EXPENSES)	655
CHANGE IN NET ASSETS	65,749
TOTAL NET ASSETS – BEGINNING	210,376
TOTAL NET ASSETS - ENDING	\$ 276,125

The accompanying notes are an integral part of this statement.

**Housing Authority of the Town of Newellton
Newellton, Louisiana
Statement of Cash Flows
Year Ended June 30, 2011**

	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From HUD	\$ 865,582
Payments to Employees	(54,220)
Payments to Suppliers	(46,635)
Payments to Private Landlords	(701,159)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	63,568
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other Revenue	191
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	191
 CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	-0-
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest & Dividends Received	464
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	464
 NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	64,223
 CASH, BEGINNING OF YEAR	216,721
CASH, END OF YEAR	280,944
 RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	30,881
Restricted Cash	250,063
TOTAL CASH & CASH EQUIVALENTS	280,944
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	65,094
Depreciation Expense	-0-
(Increase) Decrease in Prepaid Expenses	(1,526)
TOTAL ADJUSTMENTS	(1,526)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	63,568
 LISTING OF NONCASH INVESTING, CAPITAL, & FINANCIAL ACTIVITIES	
Contributions of Capital Assets From Government	\$ -0-

The accompanying notes are an integral part of this statement.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Housing Authority of the Town of Newellton have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

Housing authorities are chartered as public corporations under the laws LSA-R.S. 40:391 of the State of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the housing authority to function in such city or parish. The Housing Authority of the Town of Newellton is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of the Town of Newellton, serve a term of four years.

The housing authority participates in a Section 8 housing assistance payment program. The housing choice voucher program provides assistance to low-income persons seeking housing by subsidizing rents between residents, and owners of existing private housing. Under this program, the housing authority enters into housing assistance payment contracts with landlords. The program provides for a voucher which can be used by the resident to pay rent to any landlord he chooses.

The housing authority has the following units:

<u>Section 8</u>	<u>Contract Number</u>	<u>Number of Units</u>
Housing Choice Vouchers Authorized	FW 2236	120 Enhanced

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 separate and fiscally independent, the housing authority is a separate governmental reporting entity. The housing authority includes all funds, activities, et cetera, that are within the oversight responsibility of the housing authority.

The housing authority is a related organization of the Town of Newellton since the Town of Newellton appoints a voting majority of the housing authority's governing board. The Town of Newellton is not financially accountable for the housing authority as it cannot impose its will on the housing authority and there is no potential for the housing authority to provide financial benefit to, or impose financial burdens on, the Town of Newellton. Accordingly, the housing authority is not a component unit of the financial reporting entity of the Town of Newellton.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)

JUNE 30, 2011

Certain units of local government over which the housing authority exercises no oversight responsibility, such as the school board, parish police jury, other independently elected parish officials, and municipalities within the parish, are excluded from the accompanying basic financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the housing authority. In addition, the accompanying financial statements do not include various tenant associations which are legally separate entities.

B. FUNDS

The accounts of the housing authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The fund of the housing authority is a proprietary fund that accounts for the Section 8 Housing Choice Voucher Program.

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator.

C. MEASUREMENT FOCUS & BASIS OF ACCOUNTING

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The housing authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncement and only FASB pronouncements issued before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and providing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the housing authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)

JUNE 30, 2011

D. CASH & CASH EQUIVALENTS

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agent. Under state law, the housing authority may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. 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 financial statements, are offset by a restriction on net assets. All trade and other receivables are shown net of an allowance for uncollectables.

F. INVENTORIES & PREPAID ITEMS

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

G. CAPITAL ASSETS

Capital Assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable columns in the basic 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.

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.

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>
Portable Buildings	7 years
Furniture & Fixtures	3 years

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)
JUNE 30, 2011**

H. LONG-TERM OBLIGATIONS

In the basic 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.

I. ESTIMATES

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

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

At June 30, 2011, the housing authority has cash and investments (book balances) totaling \$280,944 as follows:

Demand deposits	\$ 280,944
Total	\$ <u>280,944</u>

These deposits are stated at cost, which is 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.

Deposits

It is the housing authority's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The housing authority's deposits are categorized to give an indication of the level of risk assumed by the housing authority at year end. The categories are described as follows:

- **Category 1** – Insured or collateralized with securities held by the housing authority or by its agent in the housing authority's name.
- **Category 2** – Collateralized with securities held by the pledging financial institution's trust department or agent in the housing authority's name.
- **Category 3** – Uncollateralized.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)
JUNE 30, 2011**

Amounts on deposit are secured by the following pledges:

Description	Tensas State Bank	Total
FDIC (Category 1)	\$ 250,000	250,000
Securities (Category 2)	1,067,634	1,067,634
Total Securities	\$ 1,317,634	1,317,634

Deposits were fully secured as of June 30, 2011.

The following represents Restricted Cash:

Other Restricted Cash	\$ 250,063
Total Restricted Cash	\$ 250,063

Other Restricted Cash represents funds designated to be paid to lessors and or tenants in Section 8 Program or Disaster Housing Assistance Program (DHAP).

3. CAPITAL ASSETS

All fixed assets are stated at cost. The fixed assets are depreciated using the straight-line method of depreciation with lives ranging from 5-40 years. Changes in fixed assets are as follows:

	6-30-2010	Additions	Deletions	6-30-2011
Portable Building	\$ 10,725	\$ -0-	\$ -0-	\$ 10,725
Furniture & Equipment	10,840	-0-	-0-	10,840
Total Capital Assets	21,565	-0-	-0-	21,565
Less Accumulated Depreciation	(21,565)	-0-	-0-	(21,565)
Total Capital Assets, Net of Depreciation	\$ -0-	\$ -0-	\$ -0-	\$ -0-

The Town of Newellton has allowed the Housing Authority to use the land, in which the office's portable building is located, rent free.

4. CHANGES IN COMPENSATED ABSENCES PAYABLES

The following is a summary of changes in compensated absences payable at June 30, 2011:

	Current	Noncurrent	Total
Beginning of year	\$ 1,692	\$ 4,653	\$ 6,345
Additions	-0-	42	42
Retirements	(42)	-0-	(42)
End of year	\$ 1,650	\$ 4,695	\$ 6,345

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)
JUNE 30, 2011**

5. LONG-TERM OBLIGATIONS

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

6. CONTINGENT LIABILITIES

At June 30, 2011, 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.

7. DEFINED CONTRIBUTION PLAN

The housing authority provides pension benefits for all of its 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. Employees are eligible to participate from the first anniversary date of employment. Each participant in the plan is required to make a monthly contribution equal to five percent of his effective compensation. The employer makes a monthly contribution equal to seven percent of each participant's effective compensation. The housing authority's contribution for each employee (and income allocated to the employee's account) is fully vested after five years of continuous service. The housing authority's contributions for and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the housing authority.

The housing authority currently has only one employee participating in the plan which was established pursuant to board resolution.

The total payroll for the covered employee was \$54,220. Both the housing authority (7% contribution) and the covered employees (5% contribution) made the required contributions, amounting to \$6,506.

8. RISK MANAGMENT

The housing authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the housing authority carries commercial insurance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (CONTINUED)
JUNE 30, 2011**

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 \$865,582 to the housing authority, which represents approximately 100% of the housing authority's revenue for the year.

10. RESTRICTED NET ASSETS

Restricted Net Assets represents funds designated to be paid to lessors and or tenants in Section 8 Program or Disaster Housing Assistance Program (DHAP).



Other Supplemental Schedules

**Housing Authority of the Town of Newellton
Newellton, Louisiana
Schedule of Compensation Paid to Board Members
Year Ended June 30, 2011**

<u>Board Member</u>	<u>Title</u>	<u>Salary</u>
Edwin Britt	Chairman	\$ -0-
Clara Bass	Commissioner	-0-
Billy Mitchell	Commissioner	-0-
Carol Guice	Commissioner	-0-
David Delaney	Commissioner	-0-

The members of the Board of Commissioners serve without compensation.



Other Reports

John R. Vercher C.P.A.
jrv@centurytel.net

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Certified Public Accountants

P.O. Box 1608
Jena, Louisiana 71342
Tel: (318) 992-6348
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Housing Authority of the Town of Newellton, Louisiana

We have audited the financial statements of the Housing Authority of the Town of Newellton, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. 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 Newellton'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Newellton'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

December 2, 2011
Jena, Louisiana

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

JOHN R. VERCHER PC
Certified Public Accountants

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Housing Authority of the Town of Newellton

Compliance

We have audited the compliance of the Housing Authority of the Town of Newellton, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Housing Authority of the Town of Newellton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the Town of Newellton's management. Our responsibility is to express an opinion on the Housing Authority of the Town of Newellton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the Town of Newellton'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 legal determination on the Housing Authority of the Town of Newellton's compliance with those requirements.

In our opinion, the Housing Authority of the Town of Newellton, Louisiana, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Housing Authority of the Town of Newellton 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 the Housing Authority of the Town of Newellton'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Town of Newellton's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

John R. Vercher PC

December 2, 2011
Jena, Louisiana

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

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

	<u>Federal CFDA Number</u>	<u>Agency Or Pass-Through Number</u>	<u>Federal Disbursements/ Expenditures</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Housing Choice Voucher Program	14.871	N/A	<u>865,582</u>
Total Federal Expenditures			\$ <u><u>865,582</u></u>

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

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Single Audit Requirements

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

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

1.) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority. The Housing Authority reporting entity is defined in Note 1 to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2.) Basis of Accounting

The accompanying Schedule of expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Housing Authority's basic financial statements.

3.) Relationship To Basic Financial Statements

Federal award revenues are reported in the Housing Authority's basic financial statements as follows:

General:	
Operating Subsidy – Section 8	\$ 865,582
Total	\$ <u>865,582</u>

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with U.S. generally accepted accounting principles.

4.) Federal Awards

In accordance with HUD Notice PIH 98-14, "federal awards" do not include the Housing Authority's operating income from rents or investments (or other non-federal sources). In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

Presented for purposes of additional analysis only.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended June 30, 2011**

Section II Financial Statement Findings

No items to report.

Section III Federal Awards Findings and Question Costs

No items to report.

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON
NEWELLTON, LOUISIANA

MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS

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

The management of the Housing Authority of the Town of Newellton, Louisiana has provided the following action summaries relating to review findings brought to their attention as a result of their financial review for the year ended June 30, 2010.

PRIOR YEAR FINDINGS

2010-I-1 Small Size of Entity (Resolved)

Finding: Because of the small size of the Housing Authority and the lack of separation of duties, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Housing Authority's cash.

Entity's Corrective Action: Management continued to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, and depositing of funds collected.



Financial Data Schedule

Housing Authority of Newellton (LA169)
Newellton, LA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	14.B71 Housing Choice Vouchers	97.109 Disaster Housing Assistance Grant	14.DVP Disaster Voucher Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$20,181	\$5,531	\$5,169	\$30,881		\$30,881
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$250,063			\$250,063		\$250,063
114 Cash - Tenant Security Deposits						
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$270,244	\$5,531	\$5,169	\$280,944		\$280,944
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants						
126.1 Allowance for Doubtful Accounts - Tenants						
126.2 Allowance for Doubtful Accounts - Other						
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$0		\$0
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$1,526			\$1,526		\$1,526

Housing Authority of Newellton (LA169)
Newellton, LA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	14,871 Housing Choice Vouchers	97,109 Disaster Housing Assistance Grant	14,DYP Disaster Voucher Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue						
70400 Tenant Revenue - Other						
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0		\$0
70600 HUD PHA Operating Grants	\$865,582			\$865,582		\$865,582
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$67			\$67		\$67
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery	\$191			\$191		\$191
71500 Other Revenue						
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted	\$397			\$397		\$397
70000 Total Revenue	\$866,237	\$0	\$0	\$866,237		\$866,237

97000	Excess of Operating Revenue over Operating Expenses	\$0	\$0	\$0	\$766,908	\$766,908
97100	Extraordinary Maintenance					
97200	Casualty Losses - Non-capitalized					
97300	Housing Assistance Payments	\$701,159			\$701,159	\$701,159
97350	HAP Portability-In					
97400	Depreciation Expense					
97500	Fraud Losses					
97600	Capital Outlays - Governmental Funds					
97700	Debt Principal Payment - Governmental Funds					
97800	Dwelling Units Rent Expense					
90000	Total Expenses	\$800,488	\$0	\$0	\$800,488	\$800,488
10010	Operating Transfer In					
10020	Operating transfer Out					
10030	Operating Transfers from/to Primary Government					
10040	Operating Transfers from/to Component Unit					
10050	Proceeds from Notes, Loans and Bonds					
10050	Proceeds from Property Sales					
10070	Extraordinary Items, Net Gain/Loss					
10080	Special Items (Net Gain/Loss)					
10091	Inter Project Excess Cash Transfer In					
10092	Inter Project Excess Cash Transfer Out					
10093	Transfers between Program and Project - In					
10094	Transfers between Project and Program - Out					
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$65,749	\$0	\$0	\$65,749	\$65,749
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030	Beginning Equity	\$199,676	\$5,531	\$5,169	\$210,376	\$210,376

11040	Prior Period Adjustments, Equity Transfers and Correction of Errors								
11050	Changes in Compensated Absence Balance								
11060	Changes in Contingent Liability Balance								
11070	Changes in Unrecognized Pension Transition Liability								
11080	Changes in Special Term/Severance Benefits Liability								
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100	Changes in Allowance for Doubtful Accounts - Other								
11170	Administrative Fee Equity	\$15,363	\$15,363						\$15,363
11180	Housing Assistance Payments Equity	\$250,062	\$250,062						\$250,062
11190	Unit Months Available	2187	2187						2187
11210	Number of Unit Months Leased	1926	1926						1926
11270	Excess Cash								
11610	Land Purchases								
11620	Building Purchases								
11630	Furniture & Equipment - Dwelling Purchases								
11640	Furniture & Equipment - Administrative Purchases								
11650	Leasehold Improvements Purchases								
11660	Infrastructure Purchases								
13510	CFFP Debt Service Payments								
13901	Replacement Housing Factor Funds								