

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

**Annual Financial Report
As of and for the Year Ended June 30, 2001**

Housing Authority of the Town of Newellton

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Independent Auditors' Report

Board of Commissioners
Housing Authority of the Town of Newellton
Newellton, Louisiana

We have audited the accompanying general-purpose financial statements of the Housing Authority of the Town of Newellton as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority, as of June 30, 2001, and the results of its operations and its cash flows of its proprietary fund types 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 October 2, 2001, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplemental information listed in the table of contents and the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular No. 133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the Housing Authority. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
October 2, 2001

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON

ENTERPRISE FUNDS
Combined Balance Sheet
June 30, 2001

Statement A

ASSETS

Current Assets

Cash and cash equivalents	\$ 95,853
Interfund receivable	61,848
Accounts receivable - HUD	<u>7,638</u>

Total Current Assets 165,339

Fixed Assets

Land, buildings, and equipment (net)	<u>0</u>
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TOTAL ASSETS 165,339

LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts payable	61,866
Deferred revenue	30,180
Interfund payable	61,848
Notes payable	<u>2,168</u>

Total Current Liabilities 156,062

Noncurrent Liabilities

Compensated absences	<u>2,769</u>
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Total Liabilities 158,831

Fund Equity

Retained earnings:

Unreserved	<u>6,508</u>
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Total Fund Equity 6,508

TOTAL LIABILITIES AND FUND EQUITY \$ 165,339

THE NOTES TO THE FINANCIAL STATEMENTS ARE IN INTEGRAL PART OF THIS STATEMENT.

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON

ENTERPRISE FUNDS
Combined Statement of Revenues, Expenses,
and Changes in Fund Equity
For the Year Ended June 30, 2001

Statement B

OPERATING REVENUES

Other \$ 226

Total revenues 226

OPERATING EXPENSES

Administration 51,186

General expenses 15,029

Housing assistance payments 260,382

Total operating expenses 326,597

Income (loss) from Operations (326,371)

Nonoperating revenues (expenses)

Interest earnings 3,279

Federal grants 319,314

Total nonoperating revenues (expenses) 322,593

NET INCOME (Loss) (3,778)

FUND BALANCES AT BEGINNING OF YEAR,
AS ORIGINALLY STATED

32,994

Prior period adjustment (22,708)

RETAINED EARNINGS AT BEGINNING OF YEAR, AS RESTATED

10,286

RETAINED EARNINGS AT END OF YEAR

\$ 6,508

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON

**ENTERPRISE FUNDS
Combined Statement of Cash Flows
For the Year Ended June 30, 2001**

Statement C

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income (loss)	\$ (326,371)
Adjustments to reconcile net income (loss) to Net cash provided by operating activities	
Changes in operating current assets and liabilities:	
Increase (Decrease) in accounts payable	<u>12,475</u>

**NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES**

(313,896)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal grants	<u>319,314</u>
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**NET CASH PROVIDED (USED) BY NONCAPITAL
FINANCING ACTIVITIES**

319,314

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Payments on note	<u>(1,931)</u>
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**NET CASH PROVIDED (USED) BY CAPITAL
AND RELATED FINANCING ACTIVITIES**

(1,931)

CASH FLOW FROM INVESTING ACTIVITIES

Interest earnings	<u>3,279</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

3,279

**NET INCREASE (DECREASE) IN CASH AND
CASH EQUIVALENTS**

6,766

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

89,087

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 95,853

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**Housing Authority of the Town of Newellton
Notes to the General-Purpose Financial Statements**

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Housing Authority of the Town of Newellton
Notes to the General-Purpose Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying general-purpose 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 Section 8 housing assistance payment programs. The rental certificate program provides assistance to low-income persons seeking housing by subsidizing rents between tenants and owners of existing private housing. Under this program, the Housing Authority enters into housing assistance payment contracts with landlords. Section 8 Rental Voucher Program, another Section 8 housing assistance program, provides assistance to low-income families. The program provides for a voucher which can be used by the tenant to pay rent to any landlord he chooses.

The Housing Authority has the following units:

Section 8 Rental Vouchers	FW 2236	129
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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, account groups, 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.

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 general-purpose 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 general-purpose 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 are maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are proprietary funds.

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.

Housing Authority of the Town of Newellton
Notes to the General-Purpose Financial Statements

C. MEASUREMENT FOCUS AND 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 pronouncements and only FASB pronouncements issued before November 30, 1989.

D. BUDGETS

General Budget Policies The Housing Authority adopted budgets for all funds. HUD approves all budgets for all HUD-funded programs. The budget is controlled by fund at the function level. Budgetary amendments require approval of the governing body.

All appropriations lapse at year-end.

Encumbrances Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded. Encumbrances are not recognized within the accounting records for budgetary control purposes.

Formal budget integration (within the accounting records) is not employed as a management control device.

E. CASH AND 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.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

G. FIXED ASSETS Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the estimated useful lives:

Portable buildings	7 years
Furniture and equipment	3 years

H. COMPENSATED ABSENCES Employees may accumulate up to six weeks of sick and annual leave which may be received upon termination or retirement.

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

**Housing Authority of the Town of Newellton
Notes to the General-Purpose Financial Statements**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance The following fund had a deficit in the fund balance at June 30, 2001:

<u>Fund</u>	<u>Deficit Amount</u>
Section 8 Rental Voucher Program	\$17,723

Management expects to correct the deficit in this fund by a transfer from the general fund.

NOTE 3 - DEPOSITS Deposits of the primary government are stated at cost which approximates market. Under state law, 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 year-end, the Housing Authority's carrying amount of deposits was \$95,853 and the bank balance was \$103,570. This bank balance was covered by federal depository insurance (GASB Category 1).

NOTE 4 - FIXED ASSETS The changes in general fixed assets for the year are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Portable building	\$10,725	\$ -	\$ -	\$10,725
Furniture and equipment	9,214	-	-	9,214
Total	<u>19,939</u>	<u>-</u>	<u>-</u>	<u>19,939</u>
Less accumulated depreciation:				
Portable building	10,725	-	-	10,725
Furniture and equipment	9,214	-	-	9,214
Total	<u>19,939</u>	<u>-</u>	<u>-</u>	<u>19,939</u>
Fixed assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - ACCOUNTS PAYABLE Accounts payable at June 30, 2001, are as follows:

	<u>Total</u>
Due to other governments:	
Payable to HUD	<u>\$61,866</u>

NOTE 6 - NOTE PAYABLE The following is a summary of the long-term obligation transactions for the year ended June 30, 2001:

	<u>Notes Payable</u>
Balance at beginning of year	\$4,097
Additions	-
Deductions	<u>1,931</u>
Balance at end of year	<u>\$2,168</u>

**Housing Authority of the Town of Newellton
Notes to the General-Purpose Financial Statements**

The \$11,000 note was entered into on May 31, 1995 with an 11.5% interest rate. Payments are made monthly with maturity on June 1, 2002. A portable office building used in administering the Section 8 programs is pledged as collateral for the note. The note is due as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2001-2002	<u>\$377</u>	<u>\$2,168</u>	<u>\$2,545</u>

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Section 8 Rental Voucher	Section 8 Rental Certificate	<u>\$61,848</u>

NOTE 8 - CONTINGENCIES

Grant Disallowances The Housing Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 9 - 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) are 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.

The Housing Authority's total payroll for the fiscal year ended June 30, 2001, was \$28,038. The total payroll for the covered employee was \$20,252. Both the Housing Authority and the covered employee made the required contributions, amounting to \$2,430.

NOTE 10 - PRIOR PERIOD ADJUSTMENT The fund balance was restated to reflect an adjustment for income that was overstated by \$22,708 for the June 30, 2000, year end.

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON
FINANCIAL DATA SCHEDULE
For the Year Ended June 30, 2001

Line Item No.	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
111	Cash - Unrestricted	16,111	79,742	95,853
100	Total Cash	16,111	79,742	95,853
122	Accounts Receivable - HUD Other Projects	0	7,638	7,638
126.2	Allowance for Doubtful Accounts - Other	0	0	0
120	Total Receivables, net of allowances for doubtful accounts	0	7,638	7,638
144	Interprogram Due From	61,848	0	61,848
150	Total Current Assets	77,959	87,380	165,339
160	Total Fixed Assets, Net of Accumulated Depreciation	0	0	0
180	Total Non-Current Assets	0	0	0
190	Total Assets	77,959	87,380	165,339
322	Accrued Compensated Absences	2,769	0	2,769
331	Accounts Payable - HUD PHA Programs	61,866	0	61,866
342	Deferred Revenues	30,180	0	30,180
344	Current Portion of Long-term Debt - Operating Borrowings	867	1,301	2,168
347	Interprogram Due To	0	61,848	61,848
310	Total Current Liabilities	95,682	63,149	158,831
350	Total Noncurrent Liabilities	0	0	0
300	Total Liabilities	95,682	63,149	158,831
508	Total Contributed Capital	0	0	0
511	Total Reserved Fund Balance	0	0	0
512	Undesignated Fund Balance/Retained Earnings	(17,723)	24,231	6,508
513	Total Equity	(17,723)	24,231	6,508
600	Total Liabilities and Equity	77,959	87,380	165,339

(continued)

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON
FINANCIAL DATA SCHEDULE
For the Year Ended June 30, 2001

Line Item No.	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
705	Total Tenant Revenue	0	0	0
706	HUD PHA Grants	273,105	46,209	319,314
711	Investment Income - Unrestricted	154	2,294	2,448
714	Fraud Recovery	226	0	226
720	Investment Income - Restricted	831	0	831
700	Total Revenue	274,316	48,503	322,819
911	Administrative Salaries	26,407	1,631	28,038
912	Auditing Fees	2,490	2,490	4,980
914	Compensated Absences	2,769	0	2,769
915	Employee Benefit Contributions - Administrative	482	26	508
916	Other Operating - Administrative	13,704	1,695	15,399
961	Insurance Premiums	13,243	675	13,918
967	Interest Expense	377	226	603
969	Total Operating Expenses	59,472	6,743	66,215
970	Excess Operating Revenue over Operating Expenses	214,844	41,760	256,604
973	Housing Assistance Payments	222,467	37,915	260,382
976	Capital Outlays - Governmental Funds	0	0	0
977	Debt Principal Payment - Governmental Funds	0	0	0
900	Total Expenses	281,939	44,658	326,597
1010	Total Other Financing Sources (Uses)	0	0	0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(7,623)	3,845	(3,778)
1103	Beginning Equity	6,177	26,817	32,994
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(16,277)	(6,431)	(22,708)
1105	Changes in Compensated Absence Balance	2,769	0	2,769
1107	Changes in Unrecognized Pension Transition Liability	0	0	0
1108	Changes in Special Term/Severance Benefits Liability	0	0	0
1109	Changes in Allowance for Doubtful Accounts - Dwelling Rents	0	0	0
1110	Changes in Allowance for Doubtful Accounts - Other	0	0	0
1113	Maximum Annual Contributions Commitment (Per ACC)	335,491	32,748	368,239
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0
1115	Contingency Reserve, ACC Program Reserve	162,142	13,461	175,603
1116	Total Annual Contributions Available	497,633	46,209	543,842
1120	Unit Months Available	1,390	158	1,548
1121	Number of Unit Months Leased	1,268	158	1,426

(concluded)

Housing Authority of the Town of Newellton

Supplemental Information

GENERAL

COMPENSATION PAID BOARD MEMBERS

The members of the Board of Commissioners serve without compensation. The members of the Board of Commissioners are as follows:

Mr. Edwin Britt, Chairman

Ms. Clara Bass

Mr. Billy Mitchell

Mr. Kenneth Morgan

Mr. David Delaney



ALLEN, GREEN & COMPANY, LLP

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Regina R. Mekus, CPA

Ernest L. Allen, CPA (Retired)
1963 - 2000

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members
Housing Authority of the Town of Newellton
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, 2001, and have issued our report thereon dated October 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the Housing Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 01-F1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 the reportable condition described above is a material weakness.

Management Letter Items

We also noted a matter involving internal control over financial reporting, which we have reported to management of the Housing Authority in a separate letter dated October 2, 2001.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green + Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
October 2, 2001

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Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular No. A-133

Board Members

Housing Authority of the Town of Newellton
Newellton, Louisiana

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 No. A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. The Housing Authority's major federal programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; and OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular No. 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 01-F3.

Internal Control Over Compliance

The management of the Housing Authority 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'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 No. A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Housing Authority's ability

to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as items 01-F2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana

October 2, 2001

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON
Newellton, Louisiana

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

Exhibit 2

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA NUMBER	GRANT ID #	EXPENDITURES
United States Department of Housing and Urban Development Direct Programs:			
Section 8 Rental Certificate Program	14.857	FW 2071	\$ 46,209
Section 8 Rental Voucher Program	14.855	FW 2236	<u>273,105</u>
Total United States Department of Housing and Urban Development			<u>\$ 319,314</u>

Housing Authority of the Town of Newellton
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the Town of Newellton, Newellton, Louisiana. The Housing Authority of the Town of Newellton (the Housing Authority) reporting entity is defined in Note 1 to the Housing Authority's general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Housing Authority's general-purpose financial statements.

NOTE 3 - RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority's general-purpose financial statements as follows:

Federal Sources

Section 8 Rental Certificate Program	\$ 46,209
Section 8 Rental Voucher Program	<u>273,105</u>
	<u>\$319,314</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS 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 accounting principles generally accepted in the United States of America.

**Housing Authority of the Town of Newellton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There was a reportable condition required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America.

The reportable condition disclosed was considered a material weakness as defined by the Government Auditing Standards.

- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

- iv. There was a reportable condition required to be disclosed by OMB Circular No. A-133.
The reportable condition disclosed was considered a material weakness as defined by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal programs are:
Cluster (as defined by OMB Circular No. A-133 Provisional Compliance Supplement)

CFDA #14.857	Section 8 Rental Certificate Program
CFDA #14.855	Section 8 Rental Voucher Program
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

**Housing Authority of the Town of Newellton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001**

PART II - Finding(s) related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: 01-F1 Inadequate Segregation of Duties

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Incompatible functions should not be performed by one person to ensure any discrepancies will be noted in the normal course of business.

Condition found: Nearly all functions of the Housing Authority are performed by the Executive Director and part-time employees. These functions include purchasing, disbursements, reconciliations, and recording of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures; the Executive Director and a member of the Board.

Proper perspective for judging the prevalence and consequences: The Housing Authority has only one full-time employee and one regular part-time employee.

Possible asserted effect (cause and effect):

Cause: The Housing Authority's work load only requires one full-time employee and one regular part-time employee.

Effect: Incompatible functions are performed by one person.

Recommendations to prevent future occurrences: We feel duties are segregated to the greatest possible extent given the fact that the Housing Authority only has two employees.

**Housing Authority of the Town of Newellton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001**

PART III- Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section 510(a):

Reference # and title: 01-F2 Inadequate Segregation of Duties

Federal program and specific federal award identification:

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Federal Award Year</u>
United States Department of Housing and Urban Development Section 8 Rental Certificate Program	14.857	FW 2071	2001
Section 8 Rental Voucher Program	14.855	FW 2236	2001

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: See Finding 01-F1.

Reference # and title: 01-F3 Cash Management - Section 8

Federal program and specific federal award identification:

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Federal Award Year</u>
United States Department of Housing and Urban Development Section 8 Vouchers	14.855	FW 2236	2001

Criteria or specific requirement: Requirements for cash management of federal funds state "recipients must have procedures in place to reduce the time between receipt and use of funds."

Condition found: The Housing Authority requested funding in the total amount of \$373,542 but the year-end settlement requirement was \$319,314 which resulted in an over requisition of \$54,228.

Proper perspective for judging the prevalence and consequences: The above overpayment of \$54,228 in the Section 8 Rental Voucher Program represents a 17% over requisition of funds for the voucher program.

Possible asserted effect (cause and effect):

Cause: The requisition was not compared to actual results during the year.

Effect: An over requisition of 5% or greater can result in a loss of administrative fees.

Recommendations to prevent future occurrences: The Housing Authority should examine their calculation periodically and file a revised requisition for partial payment of annual contributions if federal funds requested will substantially exceed funds expended.

**Housing Authority of the Town of Newellton
Summary Schedule of Prior Audit Findings
June 30, 2001**

Finding reference #: **00-F1** **Inadequate Segregation of Duties**

Initially occurred: Fiscal year ended June 30, 1996.

Condition: Nearly all functions of the Housing Authority are performed by the Executive Director and part-time employees. These functions include purchasing, disbursements, reconciliations, and recording of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures; the Executive Director and a member of the Board.

Planned corrective action: Duties appear to be segregated to the greatest possible extent given the fact that the Housing Authority has only two paid employees.

Person responsible for corrective action:

Ms. Kaylene Baker
Housing Authority of the
Town of Newellton
P. O. Box 1021
Newellton, LA 71357-1021

Telephone: (318) 467-2151
Fax: (318) 467-2860

Finding reference #: **00-F2** **Inadequate Segregation of Duties**

Initially occurred: Fiscal year ended June 30, 1996.

Condition: Nearly all functions of the Housing Authority are performed by the Executive Director and part-time employees. These functions include purchasing, disbursements, reconciliations, and recording of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures; the Executive Director and a member of the Board.

Planned corrective action: Duties appear to be segregated to the greatest possible extent given the fact that the Housing Authority has only two paid employees.

Person responsible for corrective action:

Ms. Kaylene Baker
Housing Authority of the
Town of Newellton
P. O. Box 1021
Newellton, LA 71357-1021

Telephone: (318) 467-2151
Fax: (318) 467-2860

Housing Authority of the Town of Newellton
Corrective Action Plan for Current-Year Findings and Questioned Costs
June 30, 2001

Reference # and title: **01-F1** **Inadequate Segregation of Duties**

Condition found: Nearly all functions of the Housing Authority are performed by the Executive Director and part-time employees. These functions include purchasing, disbursements, reconciliations, and recording of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures; the Executive Director and a member of the Board.

Corrective action planned: Duties appear to be segregated to the greatest possible extent given the fact that the Housing Authority has only two paid employees.

Person responsible for corrective action:

Ms. Kaylene Baker
Housing Authority of the
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P. O. Box 1021
Newellton, LA 71357-1021

Telephone: (318) 467-2151
Fax: (318) 467-2860

Reference # and title: **01-F2** **Inadequate Segregation of Duties**

Condition found: Nearly all functions of the Housing Authority are performed by the Executive Director and part-time employees. These functions include purchasing, disbursements, reconciliations, and recording of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures; the Executive Director and a member of the Board.

Corrective action planned: Duties appear to be segregated to the greatest possible extent given the fact that the Housing Authority has only two paid employees.

Person responsible for corrective action:

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Newellton, LA 71357-1021

Telephone: (318) 467-2151
Fax: (318) 467-2860

Reference # and title: **01-F3** **Cash Management - Section 8**

Criteria or specific requirement: Requirements for cash management of federal funds state "recipients must have procedures in place to reduce the time between receipt and use of funds."

Condition found: The Housing Authority requested funding in the total amount of \$373,542 but the year-end settlement requirement was \$319,314 which resulted in an over requisition of \$54,228.

Corrective action planned: An amended requisition will be filed if funds requested will exceed funds required.

Person responsible for corrective action:

Ms. Kaylene Baker
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Town of Newellton
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Fax: (318) 467-2860



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Management Letter

Board Members
Housing Authority of the Town of Newellton
Newellton, Louisiana

In planning and performing our audit of the general-purpose financial statements of the Housing Authority of the Town of Newellton for the year ended June 30, 2001, we considered the Housing Authority's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted a certain matter involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 2, 2001, on the financial statements of the Housing Authority. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

01-M1 Lease up percentages

Comment: The Department of Housing and Urban Development requires housing authorities receiving Section 8 funding to be 95% leased up or risk losing funding in the future. The Housing Authority's lease up percentage was 93% for the year ended June 30, 2001.

Recommendations: The Housing Authority should make every effort to bring the lease up percentage to 95% as soon as possible to avoid the loss of funding in the future.

Management's response: The Housing Authority will concentrate on ways to increase the lease up percentage.

* * * * *

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses.

Immediately following this letter is a Status of Prior Management Letter Items. This information has not been audited by Allen, Green & Company, LLP, and no opinion is expressed. However, we did follow-up on prior management letter items and performed procedures to assess the reasonableness of the Status of Prior Management Letter Items prepared by the auditee, and we would report, as a current-year management letter item when Allen, Green & Company, LLP, concludes that the Status of Prior Management Letter Items materially misrepresents the status of any prior management letter item.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

allen, Green + Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
October 2, 2001

Housing Authority of the Town of Newellton
Status of Prior Management Letter Items
June 30, 2001

Finding reference # and title: 00-M1 Voided Checks

Condition: Of the forty checks tested, two were voided. Of the two, one was not marked "void" or mutilated.

Corrective action taken: Voided checks are now marked 'void' and retained on file for documentation.