

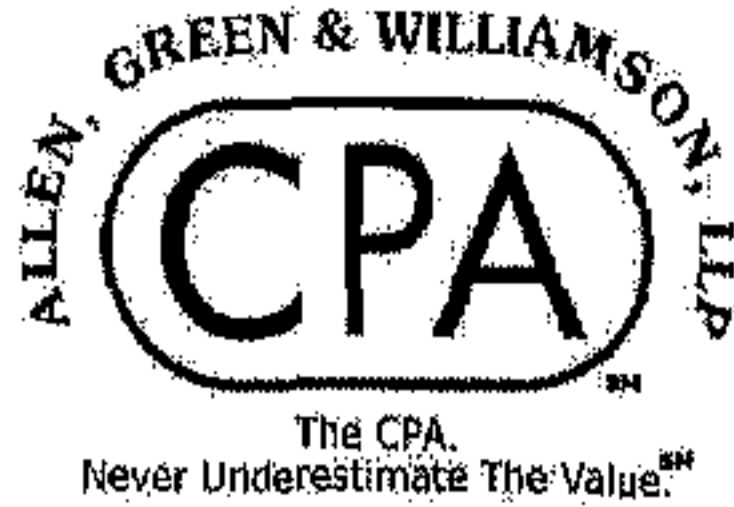
**Housing Authority of the Town of Newellton
Newellton, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2002**

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, 2002, 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, 2002, 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 25, 2002, 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 & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 25, 2002

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON

ENTERPRISE FUNDS
Combined Balance Sheet
June 30, 2002

Statement A

ASSETS

Current Assets

Cash and cash equivalents
Accounts receivable - HUD

\$ 7,408
1,485

Total Current Assets

8,893

Fixed Assets

Land, buildings, and equipment (net)

1,293

TOTAL ASSETS

10,186

LIABILITIES AND FUND EQUITY

Current Liabilities

Compensated absences payable

739

Total Current Liabilities

739

Noncurrent Liabilities

Compensated absences

2,030

Total Liabilities

2,769

Fund Equity

Retained earnings:

Unreserved

7,417

Total Fund Equity

7,417

TOTAL LIABILITIES AND FUND EQUITY

\$ 10,186

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, 2002

Statement B

OPERATING REVENUES	
Other	\$ 689
Total revenues	<u>689</u>
OPERATING EXPENSES	
Administration	50,042
General expenses	11,587
Housing assistance payments	272,705
Depreciation expense	<u>647</u>
Total operating expenses	<u>334,981</u>
Income (loss) from Operations	<u>(334,292)</u>
Nonoperating revenues (expenses)	
Interest earnings	1,786
Federal grants	<u>333,415</u>
Total nonoperating revenues (expenses)	<u>335,201</u>
NET INCOME (Loss)	909
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>6,508</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 7,417</u>

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, 2002**

Statement C

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income (loss)	\$ (334,292)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation expense	647
Changes in operating current assets and liabilities:	
Decrease (Increase) in accounts receivable	6,153
Increase (Decrease) in accounts payable	(61,866)
Increase (Decrease) in deferred revenue	<u>(30,180)</u>

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

(419,538)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal grants	<u>333,415</u>
----------------	----------------

**NET CASH PROVIDED (USED) BY NONCAPITAL
FINANCING ACTIVITIES**

333,415

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

Payments on note	(2,168)
Purchase fixed assets	<u>(1,940)</u>

**NET CASH PROVIDED (USED) BY CAPITAL
AND RELATED FINANCING ACTIVITIES**

(4,108)

CASH FLOW FROM INVESTING ACTIVITIES

Interest earnings	<u>1,786</u>
-------------------	--------------

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

1,786

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

(88,445)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

95,853

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 7,408

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 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:

Section 8		
Housing Choice Vouchers	FW 2236	129

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. 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

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

H. 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.

NOTE 2 - 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 \$7,408 and the bank balance was \$10,499. This bank balance was covered by federal depository insurance (GASB Category 1).

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

NOTE 3 - 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	\$ 0	\$ 0	\$10,725
Furniture and equipment	<u>7,971</u>	<u>1,940</u>	<u>324</u>	<u>9,587</u>
Total	<u>18,696</u>	<u>1,940</u>	<u>324</u>	<u>20,312</u>
Less accumulated depreciation:				
Portable building	10,725	0	0	10,725
Furniture and equipment	<u>7,971</u>	<u>647</u>	<u>324</u>	<u>8,294</u>
Total	<u>18,696</u>	<u>647</u>	<u>324</u>	<u>19,019</u>
Fixed assets, net	<u>\$ 0</u>	<u>\$1,293</u>	<u>\$ 0</u>	<u>\$ 1,293</u>

NOTE 4 - NOTE PAYABLE The following is a summary of the long-term obligation transactions for the year ended June 30, 2002:

	<u>Notes Payable</u>
Balance at beginning of year	\$2,168
Additions	0
Deductions	<u>2,168</u>
Balance at end of year	<u>\$ 0</u>

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.

NOTE 5 - 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 6 - 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, 2002, was \$28,707. The total payroll for the covered employee was \$20,798. Both the Housing Authority and the covered employee made the required contributions, amounting to \$2,304.

NOTE 7 - RISK MANAGEMENT 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
FINANCIAL DATA SCHEDULE
For the Year Ended June 30, 2002

Line Item No.	Account Description	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Total
111	Cash - Unrestricted	\$7,408	\$0	\$7,408
100	Total Cash	7,408	0	7,408
122	Accounts Receivable - HUD Other Projects	1,485	0	1,485
126.2	Allowance for Doubtful Accounts - Other	0	0	0
120	Total Receivables, net of allowances for doubtful accounts	1,485	0	1,485
150	Total Current Assets	8,893	0	8,893
160	Total Fixed Assets, Net of Accumulated Depreciation	1,293	0	1,293
180	Total Non-Current Assets	1,293	0	1,293
190	Total Assets	10,186	0	10,186
322	Accrued Compensated Absences - Current Portion	739	0	739
310	Total Current Liabilities	739	0	739
354	Accrued Compensated Absences - Non Current	2,030	0	2,030
350	Total Noncurrent Liabilities	2,030	0	2,030
300	Total Liabilities	2,769	0	2,769
508	Total Contributed Capital	0	0	0
511	Total Reserved Fund Balance	0	0	0
512	Undesignated Fund Balance/Retained Earnings	7,417	0	7,417
513	Total Equity/Net Assets	7,417	0	7,417
600	Total Liabilities and Equity/Net Assets	\$10,186	\$0	\$10,186

(continued)

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON
FINANCIAL DATA SCHEDULE
For the Year Ended June 30, 2002

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 Operating Grants	333,415	0	333,415
711	Investment Income - Unrestricted	1,549	0	1,549
714	Fraud Recovery	689	0	689
720	Investment Income - Restricted	237	0	237
700	Total Revenue	335,890	0	335,890
911	Administrative Salaries	28,707	0	28,707
912	Auditing Fees	6,180	0	6,180
915	Employee Benefit Contributions - Administrative	633	0	633
916	Other Operating - Administrative	14,522	0	14,522
961	Insurance Premiums	11,447	0	11,447
967	Interest Expense	140	0	140
969	Total Operating Expenses	61,629	0	61,629
970	Excess Operating Revenue over Operating Expenses	274,261	0	274,261
973	Housing Assistance Payments	272,705	0	272,705
974	Depreciation Expense	647	0	647
900	Total Expenses	273,352	0	273,352
1010	Total Other Financing Sources (Uses)	0	0	0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	909	0	909
1102	Debt Principal Payments - Enterprise Funds	0	0	0
1103	Beginning Equity	(\$17,723)	\$24,231	\$6,508
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$24,231	(\$24,231)	\$0
1112	Depreciation Add Back	\$647	\$0	\$647
1113	Maximum Annual Contributions Commitment (Per ACC)	196,178	0	196,178
	Prorata Maximum Annual Contributions Applicable to a Period of less than			
1114	Twelve Months	161,756	0	161,756
1115	Contingency Reserve, ACC Program Reserve	221,163	0	221,163
1116	Total Annual Contributions Available	579,097	0	579,097
1120	Unit Months Available	1,548	0	1,548
1121	Number of Unit Months Leased	1,370	0	1,370

(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:

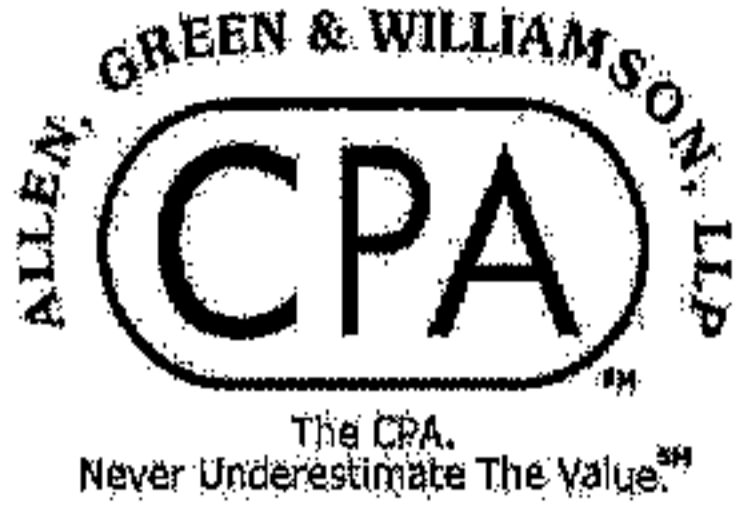
Mr. Edwin Britt, Chairman

Ms. Clara Bass

Mr. Billy Mitchell

Mr. Kenneth Morgan

Mr. David Delaney



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Ernest L. Allen, CPA
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With 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, 2002, and have issued our report thereon dated October 25, 2002. 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 certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect 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 conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-F1, 02-F2, and 02-F3.

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, of the reportable conditions described above we consider item 02-F1 to be a material weakness.

Management Letter Items

We also noted matters involving internal control over financial reporting, which we have reported to management of the Housing Authority in a separate letter dated October 25, 2002.

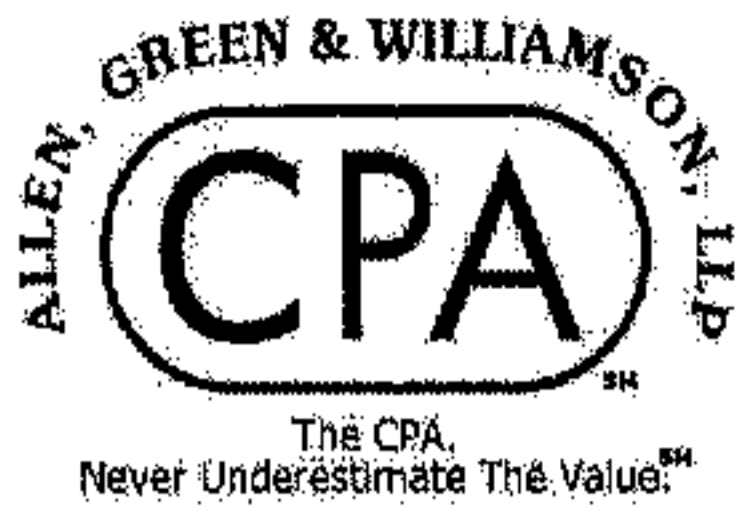
This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

October 25, 2002



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1963 - 2000

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, 2002. 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, 2002.

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 certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over 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 conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-F4, 02-F5, and 02-F6.

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 reportable condition 02-F4 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 & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 25, 2002

**Housing Authority of the Town of Newellton
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2002**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Grant ID#</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Housing and Urban Development Section 8 Housing Choice Voucher Program	14.871	FW 2236	<u>\$333,415</u>
Total United States Department of Housing and Urban Development			<u>\$333,415</u>

Housing Authority of the Town of Newellton
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

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 Housing Choice Voucher Program

\$333,415

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, 2002**

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: 02-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; however, the part-time employee is also allowed to sign checks.

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: Checks could be written by the part-time employee and the full-time employee could sign all checks and perform the bank reconciliation. The part-time employee should not be allowed to sign checks.

Reference # and title: 02-F2 No Personnel Files Maintained

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

Criteria or specific requirement: Good internal controls require that a systematic method be established to verify hours worked for the payroll system such as time clocks or sign-in sheets. Good internal controls also require that deviations from the established system should be well documented.

Condition found: A test of a sample of payroll checks indicated that there are no personnel files maintained. Employees do not use time cards or sign-in sheets. Also, the amount of money paid for the hours worked is a set amount unless the Executive Director approves additional hours for the part-time employee.

Proper perspective for judging the prevalence and consequences: Two checks were chosen for review of the personnel files and payroll functions.

Possible asserted effect (cause and effect):

Cause: Inadequate monitoring of time keeping records and inadequate maintenance of personnel files.

Effect: This weakens internal controls over payroll.

**Housing Authority of the Town of Newellton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002**

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: 02-F4 Inadequate Segregation of Duties

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

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 Housing Choice Voucher Program	14.871	FW 2236	2002

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; however, the part-time employee is also allowed to sign checks.

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: Checks could be written by the part-time employee and the full-time employee could sign all checks and perform the bank reconciliation. The part-time employee should not be allowed to sign checks.

Reference # and title: 02-F5 No Personnel Files Maintained

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

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 Housing Choice Voucher Program	14.871	FW 2236	2002

Criteria or specific requirement: Good internal controls require that a systematic method be established to verify hours worked for the payroll system such as time clocks or sign-in sheets. Good internal controls also require that deviations from the established system should be well documented.

**Housing Authority of the Town of Newellton
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002**

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

Recommendations to prevent future occurrences: The Housing Authority should allow the part-time employee to write disbursement checks and the Executive Director should sign all checks, review all supporting documentation to ensure that proper amounts are being paid and the Executive Director should approve or initial off on the supporting documentation.

Housing Authority of the Town of Newellton
Corrective Action Plan for Current-Year Findings and Questioned Costs
June 30, 2002

Reference # and title: **02-F1**

Inadequate Segregation of Duties

Condition found: Incompatible functions should not be performed by one person to ensure any discrepancies will be noted in the normal course of business. 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; however, the part-time employee is also allowed to sign checks.

Corrective action planned: The Housing Authority will establish procedures to segregate duties, for instance, the Executive Director will write and sign all checks and the part-time employee will assist with bank reconciliations.

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

Reference # and title: **02-F2**

No Personnel Files Maintained

Condition found: Good internal controls require that a systematic method be established to verify hours worked for the payroll system such as time clocks or sign-in sheets. Good internal controls also require that deviations from the established system should be well documented. A test of a sample of payroll checks indicated that there are no personnel files maintained. Employees do not use time cards or sign-in sheets. Also, the amount of money paid for the hours worked is a set amount unless the Executive Director approves additional hours for the part-time employee.

Corrective action planned: The Housing Authority will set up and maintain employee files. There will also be a daily log sheet maintained on all hourly employees to document hours worked.

Person responsible for corrective action:

Ms. Kaylene Baker
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P. O. Box 1021
Newellton, LA 71357-1021

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

Reference # and title: **02-F3**

Vendor Disbursements

Condition found: All disbursements should be reviewed and approved by the Executive Director to ensure all functions have been completed.

There were 34 disbursements tested in which the following was noted:

- One disbursement had only one signature.
- Two disbursements had sales tax included.
- Three disbursements had documentation that was not approved or marked paid.

Corrective action planned: The Executive Director will review all invoices and checks to ensure the disbursements are paid properly and invoices are marked paid.

Housing Authority of the Town of Newellton
Corrective Action Plan for Current-Year Findings and Questioned Costs
June 30, 2002

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

Reference # and title: 02-F4

Inadequate Segregation of Duties

Condition found: Incompatible functions should not be performed by one person to ensure any discrepancies will be noted in the normal course of business. 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; however, the part-time employee is also allowed to sign checks.

Corrective action planned: The Housing Authority will establish procedures to segregate duties, for instance, the Executive Director will write and sign all checks and the part-time employee will assist with bank reconciliations.

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

Reference # and title: 02-F5

No Personnel Files Maintained

Condition found: Good internal controls require that a systematic method be established to verify hours worked for the payroll system such as time clocks or sign-in sheets. Good internal controls also require that deviations from the established system should be well documented.

A test of a sample of payroll checks indicated that there are no personnel files maintained. Employees do not use time cards or sign-in sheets. Also, the amount of money paid for the hours worked is a set amount unless the Executive Director approves additional hours for the part-time employee.

Corrective action planned: The Housing Authority will set up and maintain employee files. There will also be a daily log sheet maintained on all hourly employees to document hours worked.

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, 2002

Reference # and title: 02-F6

Vendor Disbursements

Condition found: All disbursements should be reviewed and approved by the Executive Director to ensure all functions have been completed.

There were 34 disbursements tested in which the following was noted:

One disbursement had only one signature.

Two disbursements had sales tax included.

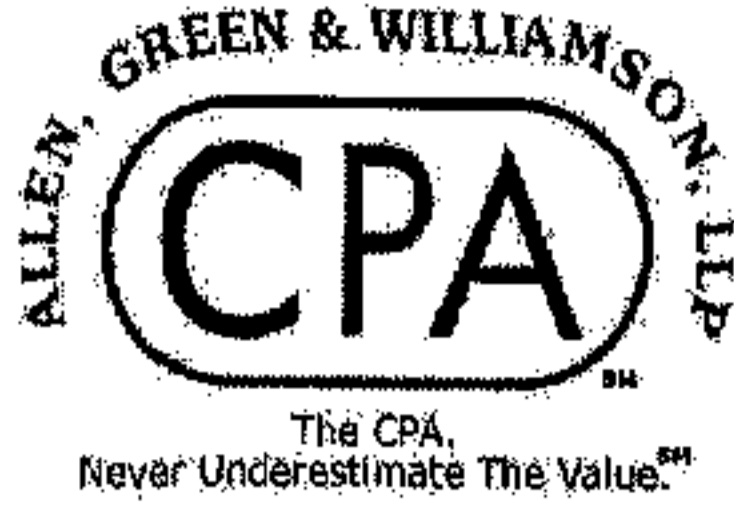
Three disbursements had documentation that was not approved or marked paid.

Corrective action planned: The Executive Director will review all invoices and checks to ensure the disbursements are paid properly and invoices are marked paid.

Person responsible for corrective action:

Ms. Kaylene Baker
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(Retired)
1963 - 2000

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, 2002, 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 certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 25, 2002, 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:

02-M1 Fixed Assets Listing

Comment: The fixed assets listing is not maintained on a current basis and there is no capitalization threshold. Also, no items are tagged and there is no scrapping/disposal process.

Recommendations: The Housing Authority should set a capitalization threshold and establish procedures to ensure capital items exceeding the threshold are added to the listing and the items are tagged.

Management's response: A policy for capitalization of fixed assets will be written and submitted to the Board for approval.

02-M2 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 89% for the year ended June 30, 2002.

Recommendations: The Housing Authority should make every effort to bring the lease-up percentages 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 & Williamson, 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 & Williamson, 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 + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 25, 2002

**Housing Authority of the Town of Newellton
Status of Prior Management Letter Items
June 30, 2002**

Finding reference # and title: 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.

Corrective action planned: See 02-M2.