

**Housing Authority of the
CITY OF GRAMBLING**
Grambling, Louisiana

**General-Purpose Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended September 30, 2003
With Supplemental Information Schedules**

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

**5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471**

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

Release Date 4-21-04

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
 Grambling, Louisiana
 General-Purpose Financial Statements
 As of and for the Fiscal Year Ended September 30, 2003
 With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Grambling
Grambling, Louisiana

I have audited the accompanying general-purpose financial statements of the Housing Authority of the City of Grambling as of and for the year ended September 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the authority's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Louisiana Governmental Audit Guide. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the City of Grambling as of September 30, 2003, and the results of its operations and the cash flows of its propriety fund types for the year ended in conformity with U.S. generally accepted accounting principles.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana
Independent Auditor's Report, 2003
Page Two

In accordance with Government Auditing Standards, I have also issued a report dated March 26, 2003 on my consideration of the authority's internal control over financial reporting and my tests of its compliance with certain 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 my audit.

My audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit Organizations, is presented for purposes of additional analysis, and is not a required part of the general-purpose financial statements. The accompanying Financial Data Schedule, required by HUD, is presented for purposes of additional analysis, and is 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 my opinion, is fairly presented in all material respects in relation to the financial statements and any other included supplementary information taken as a whole.


✓ William Daniel
McCaskill, CPA, APAC

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William Daniel McCaskill, CPA
A Professional Accounting Corporation
March 26, 2003

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
 Grambling, Louisiana
 Proprietary Fund Type - Enterprise Fund - Balance Sheet
 As of September 30, 2003

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 336,215
Accounts Receivable - HUD Other Projects	24,117
Accounts Receivable - Miscellaneous	1,714
Accounts Receivable - Tenants Dwelling Rents	2,703
Allowance for Doubtful Accounts - Dwelling Rents	(2,285)
Prepaid Expenses	16,211
Inventories	75
Interprogram Due From	267,538
Total Current Assets	<u>646,288</u>
Restricted Assets:	
Cash and cash equivalents	10,350
Total Restricted Assets	<u>10,350</u>
Fixed Assets, Net of Accumulated Depreciation:	
Land	120,589
Buildings	3,285,973
Furniture, Equipment & Machinery - Dwellings	88,884
Furniture, Equipment & Machinery - Administration	98,378
Leasehold Improvements	652,476
Accumulated Depreciation	(2,685,478)
Construction In Progress	326,026
Total Fixed Assets, Net of Accumulated Depreciation	<u>1,886,848</u>
Total Assets	<u>\$ 2,543,486</u>
Current Liabilities (payable from current assets):	
Accounts Payable - Vendors	\$ 12,761
Accounts Payable - Other Governments	6,289
Accrued Wages and Payroll Taxes Payable	809
Accrued Compensated Absences - Current	3,831
Other Current Liabilities	1,798
Interprogram Due To	267,538
Total Current Liabilities (payable from current assets)	<u>293,026</u>
Current Liabilities (payable from restricted assets):	
Tenant Security Deposits	<u>10,350</u>
Long-term Liabilities:	
Other Long-term Liabilities	9,136
Total Long-term Liabilities	<u>9,136</u>
Total Liabilities	<u>312,512</u>
Equity:	
Contributed Capital	1,549,239
Retained Earnings (Deficit)	681,735
Total Equity	<u>2,230,974</u>
Total Liabilities and Equity	<u>\$ 2,543,486</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
 Grambling, Louisiana
 Proprietary Fund Type - Enterprise Fund -
 Statement of Revenues, Expenses, and Changes in Retained Earnings
 For Fiscal Year Ended September 30, 2003

Operating Revenues:	
Net Tenant Rental Revenue	\$ 74,762
Tenant Revenue - Other	5,695
Federal Grants	536,770
Total Operating Revenues	<u>617,227</u>
Operating Expenses:	
Administrative Expenses	144,418
Tenant Services	1,167
Utilities	11,875
Ordinary Maintenance & Operation	57,606
General Expenses	49,626
Housing Assistance Payments	383,221
Total Operating Expenses	<u>771,622</u>
Operating Income (Loss)	<u>(154,395)</u>
Non-operating Revenues (Expenses)	
Federal Grants	282,909
Interest Income	363
Other Revenue	151
Total Non-operating Revenues (Expenses)	<u>283,423</u>
Net Income (Loss)	129,028
Retained Earnings at Beginning of Year	<u>552,707</u>
Retained Earnings at End of Year	<u><u>\$ 681,735</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
Grambling, Louisiana
Proprietary Fund Type - Enterprise Fund - Statement of Cash Flows
For Fiscal Year Ended September 30, 2003

Cash flows from operating activities:	
Operating Income (Loss)	\$ (154,395)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	121,628
(Increase) Decrease in Accounts Receivable - HUD Other Projects	(2,575)
(Increase) Decrease in Accounts Receivable - Miscellaneous	(1,711)
(Increase) Decrease in Accounts Receivable - Tenants Dwelling Rents, net	(2,515)
(Increase) Decrease in Allowance for Doubtful Accounts - Dwelling Rents	2,285
(Increase) Decrease in Prepaid Expenses	1,747
(Increase) Decrease in Inventories	114
Increase (Decrease) in Accounts Payable - Vendors	7,112
Increase (Decrease) in Accounts Payable - HUD PHA Programs	(71,892)
Increase (Decrease) in Accounts Payable - Other Governments	6,289
Increase (Decrease) in Accrued Wages and Payroll Taxes Payable	(3,565)
Increase (Decrease) in Accrued Compensated Absences	(7,024)
Increase (Decrease) in Deferred Revenue	(1,866)
Increase (Decrease) in Tenant Security Deposits	725
Increase (Decrease) in Other Current Liabilities	1,798
Increase (Decrease) in Accrued Liabilities - Other	9,136
Net cash provided (used) by operating activities	<u>(94,709)</u>
Cash flows from noncapital financing activities	
Other	<u>(47)</u>
Cash flows from capital and related financing activities:	
Payments to acquire, construct, or improve capital assets	(282,827)
Proceeds from federal capital grants	282,827
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash flow from investing activities:	
Investment income (interest income)	363
Net cash provided (used) by investing activities	<u>363</u>
Net increase (decrease) in cash and cash equivalents	(94,393)
Cash and cash equivalents at beginning of year	<u>440,958</u>
Cash and cash equivalents at end of year	<u>\$ 346,565</u>

There were no noncash investing, capital or financing transactions.

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
Grambling, Louisiana
Notes to the Financial Statements
For Fiscal Year Ended September 30, 2003

The Public Housing Authority (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of Grambling, Louisiana. This creation was contingent upon the approval of the local governing body of the City. A five member Board of Commissioners governs the authority. The members, appointed by the City of Grambling Louisiana, serve a four year staggered term.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the authority for the purpose of assisting the authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the authority for the purpose of maintaining this low rent character.

During the fiscal year ended September 30, 2003, the authority was managing a Low Rent Public Housing Program, a Housing Choice Voucher Program, a Capital Fund Program, and a Comprehensive Improvement Assistance Program.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) **Basis of Presentation**

The accompanying financial statements of the authority 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. The authority also applies all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Notes to the Financial Statements, 2003 – Continued

(2) Financial Reporting Entity

GASB Codification Section 2100 defines criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the authority is legally separate and fiscally independent, the authority is a separate governmental reporting entity.

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

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

The financial statements include all funds and activities that are within the oversight responsibility of the authority.

GASB Codification Section 2100 defines criteria for determining which component units should be considered part of the authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the authority to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the authority.
2. Organizations for which the authority does not appoint a voting majority, but are fiscally dependent on the authority.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Notes to the Financial Statements, 2003 – Continued

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the authority (the primary government) and its component units. The component units included in the accompanying financial statements are blended with the authority's funds.

The authority has no component units.

(3) Fund Accounting

The authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The authority's fund is classified as a proprietary fund type – enterprise fund. 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.

(4) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred.

(5) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Notes to the Financial Statements, 2003 – Continued

(6) Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in certificates of deposits and those investments with original maturities of 90 days or less.

Under state law, the 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 principal offices in Louisiana.

(7) Inventories

Inventory items are valued at cost on a first-in first-out (FIFO) basis. Any difference between cost and market is deemed immaterial. The authority uses a periodic inventory system and accounts for inventory using the purchase method.

(8) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses generally consist of prepaid insurance.

(10) Fixed Assets

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value) using the straight-line method. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization limit is \$500. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	33 Years
Building improvements	15 Years
Leasehold improvements	15 Years
Equipment	3-7 Years

Interest costs during construction have been capitalized. All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

(11) Compensated Absences

Employees earn from 98 to 192 annual leave hours per year and may accumulate an unlimited number of annual leave hours. Employees receive payment for up to 300 annual leave hours upon termination or retirement at their then current rate of pay. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Notes to the Financial Statements, 2003 – Continued

NOTE B – CASH AND CASH EQUIVALENTS

See Note A for discussion of policies related to cash and cash equivalents. At September 30, 2003, the authority has cash and cash equivalents (book balances) totaling \$346,565 as follows:

Interest-bearing demand deposits	\$346,506
Other	59
Total	<u>\$346,565</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed 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 September 30, 2003, the authority has \$362,286 in deposits (bank balances), categorized below to reflect the amount of risk assumed by the authority.

GASB Category 1	\$100,000
GASB Category 2	-
GASB Category 3	262,286
	<u>\$362,286</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the authority that the fiscal agent has failed to pay deposited funds upon demand.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana
Notes to the Financial Statements, 2003 – Continued

NOTE C— FIXED ASSETS

The following is a summary of fixed assets:

Land	\$ 120,589
Buildings	3,285,974
Furniture and Equipment:	
Dwellings	88,884
Administration	98,378
Leasehold Improvements	652,476
Total	<u>4,246,301</u>
Accumulated depreciation	<u>2,685,479</u>
Net fixed assets	<u>\$1,886,848</u>

NOTE D - RETIREMENT PLAN

The authority participates in the Housing-Renewal and Local Agency Retirement Plan, administered by Broussard, Bush & Hurst, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing six months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 7.5 percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute 5.5 percent of their annual covered salary.

The authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday or after ten years of participation in the plan.

The authority's total payroll for the year ended September 30, 2003, was \$105,494. The authority's contributions were calculated using the base salary

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana
Notes to the Financial Statements, 2003 – Continued

amount of \$102,888. The authority made the required contributions of \$18,574 for the year ended September 30, 2003.

NOTE E – PRIOR PERIOD ADJUSTMENTS AND CORRECTIONS OF ERRORS

Equity of \$502,063 was transferred from the Comprehensive Improvement Assistance Program to the Public Housing Fund.

The Public Housing Fund prior period adjustments and corrections of errors include capitalization of fixed asset costs in the amount of \$19,119, which were erroneously expensed.

NOTE F – RISK MANAGEMENT

The authority is exposed to all common perils associated with the ownership and rental of real estate properties. To minimize loss occurrence and to transfer risk, the authority carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

NOTE G – FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Schedule of Compensation Paid Board Members

For Fiscal Year Ended September 30, 2003

Members of the Board of Commissioners serve without compensation.

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

Board of Commissioners
Housing Authority of the City of Grambling
Grambling, Louisiana

I have audited the financial statements of the Housing Authority of the City of Grambling (the authority), as of and for the year ended September 30, 2003 and have issued my report thereon dated March 26, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered the authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana
Independent Auditor's Report
on Compliance...Government
Auditing Standards, 2003
Page Two

the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 the 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the board of commissioners, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.


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March 26, 2004

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the City of Grambling
Grambling, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the City of Grambling (the authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. The authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the authority's management. My responsibility is to express an opinion on the authority's compliance based on my audit.

I conducted my audit of compliance in accordance with: auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I 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 authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the authority's compliance with those requirements.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana
Independent Auditor's Report
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As described in item 2003-2 in the accompanying schedule of findings and questioned costs, the authority, did not comply with requirements regarding allowable activities, allowable costs and eligibility that are applicable to its Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for the authority, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the authority, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003. The results of my auditing procedures also disclosed one other instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs such as items 2003-1.

Internal Control Over Compliance

The management of the 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 my audit, I considered the 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana
Independent Auditor's Report
on Compliance...A-133, 2003
Page Three

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 the 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. My 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, of the reportable conditions described above, I consider items 2003-1 and 2003-2 to be material weaknesses.

This report is intended for the information of the board of commissioners, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.

 **William Daniel
McCaskill, CPA, APAC**
Signature Valid

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William Daniel McCaskill, CPA
A Professional Accounting Corporation
March 26, 2003

SCHEDULE 2

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
 Grambling, Louisiana
 Schedule of Expenditures of Federal Awards
 For Fiscal Year Ended September 30, 2003

<i>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</i>	<i>CFDA #</i>	<i>Federal Expenditures</i>
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Low Rent Public Housing	14.850a	102,106
Housing Choice Voucher Program	14.871	435,587
Public Housing Capital Fund Program	14.872	282,909
Total Federal Expenditures		<u>\$ 820,602</u>

See accompanying notes to schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Notes to the Schedule of Expenditures of Federal Awards

Fiscal Year Ended September 30, 2003

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the housing authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B—OTHER AWARDS

\$1,083,551 of Long-term Debt guaranteed by HUD not included in the above schedule is included in the equity section of the balance sheet.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Schedule of Prior Year Audit Findings
Fiscal Year Ended September 30, 2003

Finding 2002-01

Condition

Program – Housing Choice Vouchers

Condition

Of 10 tenant files tested, I noted the following conditions:

1. I noted loose papers in almost all tenant files reviewed. All papers should be bound to prevent loss of documents and to facilitate review of files.
2. I noted several unsigned documents. All documents should be signed at the time an action (admittance or annual re-exam) is taken.
3. I noted a few inspection forms were not dated and/or were incomplete for the exterior inspection. All forms should be completely filled in.
4. I noted one instance where an inspection conclusion was "pass" but a note at the top of the page indicated the smoke alarm did not work. Management explained that the tenant replaced the battery the same day. The inspection should have failed initially and been corrected.
5. I noted one instance where the housing assistance payment was not adjusted after a re-examination. Internal controls should detect errors such as this.
6. The PHA indicated that the PHA waits for the tenant to inform a staff member if deficiencies noted during an inspection are not corrected. There must be a system in place for following up as required by HUD.
7. No re-examination was performed for one file tested

Current Status

The finding is repeated as current year finding 2003-2.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
Grambling, Louisiana

Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2003

Summary Schedule of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the authority.
2. There were no reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards.
3. There were no instances of noncompliance material to the financial statements of the authority, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Two reportable conditions disclosed during the audit of internal control over major federal award programs are reported in the Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133. The conditions are also reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the authority expresses a qualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was:
 1. 14,871 Housing Choice Vouchers

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
Grambling, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2003

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The authority did not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS – FINANACIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

Finding 2003-1:

Program Affected—Public Housing
CFDA 14.850A
Federal Fiscal Year—2003

Condition—The Low Rent program has advanced monies to the HCV program. The cumulative deficit in the HCV program @ FYE is \$37,130. While this is improved from a deficit of \$52,114 as of the prior fiscal year end, it is not clear that the HCV program will be able to repay the Low Rent program.

Criteria—Per the ACC contract, form HUD 53012A, Section 2, the Low Rent subsidy may not be used to sustain other programs.

Cause—The PHA has been suffering from high vacancy.

Effect—The PHA is in violation of the ACC.

Questioned Cost—None

Recommended Action—I recommend that the PHA request HUD approval for the Low Rent program to loan monies to the HCV program until they can be paid back.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
Grambling, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2003

Finding 2003-2:

Program Affected--Housing Choice Vouchers Program
CFDA 14.871
Federal Fiscal Year—2003

Condition—Our test of 10 tenant files revealed the following deficiencies:

1 file contained the correct HAP calculation but the payment to the landlord was incorrect. The PHA staff did detect this error and corrected it 2 months after occurrence.

1 file did not contain adequate 3rd party income verification, however, there was nothing in the file to indicate why the 3rd party income verification was missing.

The file referred to above contained income verification of 2 check stubs and no calculation documentation to prove that the income was correctly calculated. PHA staff could not re-perform the calculation to arrive at the same income.

Criteria—HUD regulations require that the PHA maintain adequate documentation in the tenant files.

Cause—The PHA has hired a contractor to rework the tenant files but that person has not completed reworking all of the files.

Effect—The PHA is in violation of HUD regulations. In 1 case we were not able to determine if the correct amount of HAP is being paid.

Questioned Costs—None

Recommendation—I recommend that the PHA continue the progress it has made in documenting tenant files. It is noted that the tenant files are in much better shape this year than last year.

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
Grambling, Louisiana

Corrective Action Plan for Current Year Audit Findings
Fiscal Year Ended September 30, 2003

2003-1

Action Planned: We will request that HUD approve the temporary loaning of Low Rent monies to the HCV program. Once repaid, we will ensure that this situation does not happen again.

Person Responsible: Bridgett Tanner

Anticipated Completion Date: April 15, 2004

2003-2

Action Planned: We will continue to have our contract specialist rework all of the tenant files. We will get 3rd party income verification where possible. Where not possible we will document in the file the reason the file lacks 3rd party income verification. If we have to use check stubs we will include at least 6 check stubs. Regardless of the method of income verification we will keep in the file an adding machine tape to document how we arrived at the numbers contained in the file.

Person Responsible: Bridgett Tanner

Anticipated Completion Date: April 30, 2004

HOUSING AUTHORITY OF THE CITY OF GRAMBLING
 Grambling, Louisiana
 Financial Data Schedule
 For Fiscal Year Ended September 30, 2003

Line Item Number	Account Description	Low Rent Public Housing	CIAP	Housing Choice Voucher	Capital	Total
111	Cash - unrestricted	\$ 124,630	\$ -	\$ 211,585	\$ -	\$ 336,215
114	Cash - tenant security deposits	10,350	-	-	-	10,350
100	Total Cash	134,980		211,585		346,565
122	Accounts receivable - HUD other projects	-	-	17,279	6,838	24,117
125	Accounts receivable - miscellaneous	1,714	-	-	-	1,714
126	Accounts receivable - tenants - dwelling rents	2,703	-	-	-	2,703
126.1	Allowance for doubtful accounts - dwelling rents	(2,285)	-	-	-	(2,285)
120	Total receivables, net of allowances for doubtful accounts	2,132		17,279	6,838	26,249
142	Prepaid expenses and other assets	16,211	-	-	-	16,211
143	Inventories	75	-	-	-	75
144	Interprogram - due from	267,538	-	-	-	267,538
150	Total Current Assets	420,936		228,864	6,838	656,638
161	Land	120,589	-	-	-	120,589
162	Buildings	3,285,973	-	-	-	3,285,973
163	Furniture, equipment, and machinery - dwellings	80,303	-	-	8,581	88,884
164	Furniture, equipment, and machinery - administration	93,840	-	-	4,538	98,378
165	Leasehold improvements	652,476	-	-	-	652,476
166	Accumulated depreciation	(2,683,041)	-	-	(2,437)	(2,685,478)
167	Construction in progress	-	-	-	326,026	326,026
160	Total fixed assets, net of accumulated depreciation	1,550,140			336,708	1,886,848
190	Total Assets	1,971,076		228,864	343,546	2,543,486
312	Accounts payable < 90 days	12,761	-	-	-	12,761
321	Accrued wage/payroll taxes payable	809	-	-	-	809
322	Accrued compensated absences	2,449	-	1,382	-	3,831
333	Accounts payable - other government	6,289	-	-	-	6,289
341	Tenant security deposits	10,350	-	-	-	10,350
345	Other current liabilities	1,798	-	-	-	1,798
347	Interprogram - due to	-	-	260,699	6,839	267,538
310	Total Current Liabilities	34,456		262,081	6,839	303,376
353	Non-current liabilities - other	5,223	-	3,913	-	9,136
350	Total Non-current Liabilities	5,223		3,913		9,136
300	Total Liabilities	39,679		265,994	6,839	312,512
503	LTD HUD Guaranteed	1,083,551	-	-	-	1,083,551
504	Net HUD PHA contributions	465,688	-	-	-	465,688
508	Total Contributed Capital	1,549,239				1,549,239
512	Undesignated fund balance/retained earnings	382,158	-	(37,130)	336,707	681,735
513	Total Equity	1,931,397		(37,130)	336,707	2,230,974
600	Total Liabilities and Equity	1,971,076		228,864	343,546	2,543,486

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2003

Line Item Number	Account Description	Low Rent Public Housing	CIAP	Housing Choice Voucher	Capital	Total
703	Net tenant rental revenue	74,762	-	-	-	74,762
704	Tenant revenue - other	5,695	-	-	-	5,695
705	Total tenant revenue	80,457				80,457
706	HUD PHA grants	102,106	-	434,664	82	536,852
706.1	Capital Grants	-	-	-	282,827	282,827
711	Investment income - unrestricted	186	-	177	-	363
715	Other revenue	151	-	-	-	151
700	Total Revenue	182,900		434,841	282,909	900,650
Administrative						
911	Administrative salaries	58,096	-	27,428	-	85,524
912	Auditing fees	6,545	-	-	-	6,545
914	Compensated absences	3,267	-	-	-	3,267
915	Employee benefit contributions - administrative	6,527	-	3,718	-	10,245
916	Other operating - administrative	33,264	-	5,490	83	38,837
Tenant services						
924	Tenant services - other	1,167	-	-	-	1,167
Utilities						
931	Water	149	-	-	-	149
932	Electricity	10,474	-	-	-	10,474
933	Gas	1,135	-	-	-	1,135
938	Other utilities expense	117	-	-	-	117
Ordinary Maintenance and Operation						
941	Ordinary maintenance and operations - labor	19,970	-	-	-	19,970
942	Ordinary maintenance and operations - materials and other	9,745	-	-	-	9,745
943	Ordinary maintenance and operations - contract costs	24,089	-	-	-	24,089
945	Employee benefit contributions - ordinary maintenance	3,802	-	-	-	3,802
General Expenses						
961	Insurance premiums	40,982	-	-	-	40,982
963	Payments in lieu of taxes	6,289	-	-	-	6,289
964	Bad debt - tenant rents	2,355	-	-	-	2,355
969	Total Operating Expense	227,973		36,636	83	264,692
970	Excess Operating Revenue Over Operating Expenses	(45,073)		398,205	282,826	635,958
973	Housing assistance payments	-	-	383,221	-	383,221
974	Depreciation expense	121,576	-	-	2,133	123,709
900	Total Expenses	349,549		419,857	2,216	771,622
1000	Excess (deficiency) of total revenue over (under) total expenses	(166,649)		14,984	280,693	129,028

HOUSING AUTHORITY OF THE CITY OF GRAMBLING

Grambling, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2003

MEMO ACCOUNT INFORMATION

1101 Capital outlays - enterprise fund					-
1102 Debt principal payments - enterprise funds					-
1103 Beginning equity	1,576,864	502,063	(52,114)	56,014	2,082,827
1104 Prior period adjustments, equity transfers, and correction of errors	521,182	(502,063)			19,119
1105 Changes in compensated absences liability (USE ONLY FOR GOVERNMENTAL FUNDS)					-
1106 Changes in contingent liability balance (USE ONLY FOR GOVERNMENTAL FUNDS)					-
1107 Changes in unrecognized pension transition liability (USE ONLY FOR GOVERNMENTAL FUNDS)					-
1108 Changes in special terms/severance benefits liability (USE ONLY FOR GOVERNMENTAL FUNDS)					-
1109 Changes in allowance for doubtful accounts - dwelling rents					-
1110 Changes in allowance for doubtful accounts - other					-
1112 Depreciation "add-back"					-
1113 Maximum annual contributions commitment (Per ACC)			556,422		556,422
Prorata maximum annual contributions applicable to a period of less					
1114 than twelve months					-
1115 Contingency reserve, ACC program reserve			399,716		399,716
1116 Total annual contributions available			956,138		956,138
1120 Unit Months Available	1,033		1,800		2,833
1121 Number of unit months leased	872		1,285		2,157