

**Housing Authority of the
Town of Jonesboro
Jonesboro, 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. Copy of its report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the State Pledge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-25-04

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

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William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 985-845-1772
Fax 985-845-1915
E-mail dcmcc@highperformer.net

Member of
Louisiana Society of CPAs
Mississippi Society of CPAs
American Institute of CPAs

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying general-purpose financial statements of the Housing Authority of the Town of Jonesboro 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.

Except as discussed in the following paragraph, 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.

Because of the inadequacy of accounting records for fixed assets, I was unable to form an opinion regarding the amounts at which fixed assets and accumulated depreciation are recorded in the accompanying balance sheet of September 30, 2003 (stated at \$4,890,179 and \$2,450,062, respectively), or the amount of depreciation expense for the year then ended (stated at \$203,332).

HOUSING AUTHORITY OF THE TOWN OF JONESBORO

Jonesboro, Louisiana
Independent Auditor's Report, 2003
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In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had prior-year records concerning property and equipment and related accumulated depreciation been adequate, the general-purpose financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the Town of Jonesboro as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated April 17, 2004 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, Audit 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**



Distributed by William Daniel
McCaskill, CPA, APAC
1000 Lakeshore Boulevard
Baton Rouge, Louisiana
70801-1000
Phone: (504) 383-0000

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 17, 2004

Exhibit A

HOLDING AUTHORITY OF THE TOWN OF JONESBORO
 Jonesboro, Louisiana
 Proprietary Fund Type - Enterprise Fund - Balance Sheet
 As of September 30, 2000

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 850,273
Investments	301,800
Prepaid Expenses	52,327
Total Current Assets	<u>1,204,399</u>
Fixed Assets, Net of Accumulated Depreciation:	
Land	880,728
Buildings	3,275,828
Furniture, Equipment & Machinery - Dwellings	150,273
Furniture, Equipment & Machinery - Administration	74,674
Leasehold Improvements	249,907
Accumulated Depreciation	(2,450,852)
Construction in Progress	402,502
Total Fixed Assets, Net of Accumulated Depreciation	<u>3,482,117</u>
Total Assets	<u>\$ 4,686,517</u>
Current Liabilities (payable from current assets):	
Accounts Payable - Vendors	\$ 38
Accounts Payable - Other Governments	22,847
Accrued Wages and Payroll Taxes Payable	1,828
Accrued Compensated Absences - Current	4,886
Total Current Liabilities (payable from current assets)	<u>29,599</u>
Current Liabilities (payable from restricted assets):	
Toward Security Deposits	<u>14,800</u>
Long-term Liabilities:	
Other Long-term Liabilities	6,738
Total Long-term Liabilities	<u>6,738</u>
Total Liabilities	<u>51,137</u>
Equity:	
Contributed Capital	1,858,848
Retained Earnings (Deficit)	1,458,848
Total Equity	<u>3,317,696</u>
Total Liabilities and Equity	<u>\$ 4,686,517</u>

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

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
 Jonesboro, 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	\$ 341,197
Federal Grants	250,188
Total Operating Revenues	<u>591,385</u>
Operating Expenses:	
Administrative Expenses	103,274
Tenant Services	5,588
Utilities	11,044
Ordinary Maintenance & Operation	240,198
Protective Services	19,045
General Expenses	86,082
Depreciation Expense	253,222
Total Operating Expenses	<u>718,053</u>
Operating Loss	<u>(126,668)</u>
Non-operating Revenues:	
Federal Grants	403,588
Interest Income	3,112
Other Revenue	88,025
Total Non-operating Revenues	<u>494,725</u>
Net Income	368,057
Retained Earnings at Beginning of Year	1,152,017
Prior Period Adjustments and Corrections of Errors	12,800
Retained Earnings at End of Year	<u>\$ 1,628,840</u>

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

Exhibit C

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
 Jonesboro, Louisiana
 Proprietary Fund Type - Enterprise Fund - Statement of Cash Flow
 For Fiscal Year Ended September 30, 2023

Cash flows from operating activities:	
Operating Loss	\$ (223,019)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	293,000
(Increase) Decrease in Prepaid Expenses	4,358
(Increase) Decrease in Inventories	13,400
Increase (Decrease) in Accounts Payable - Vendors	(782)
Increase (Decrease) in Accounts Payable - Other Governments	(21,189)
Increase (Decrease) in Accrued Wages and Payroll Taxes Payable	1,528
Increase (Decrease) in Accrued Compensated Absence	4,284
(Increase) Decrease in Deferred Revenue	(500)
Increase (Decrease) in Internal Security Deposits	(88)
Net cash provided (used) by operating activities	<u>111,792</u>
Cash flows from noncapital financing activities	
Other receipts	<u>50,000</u>
Cash flows from capital and related financing activities:	
Payments to acquire, construct, or improve capital assets	(410,899)
Proceeds from federal capital grants	450,000
Net cash provided (used) by capital and related financing activities	<u>39,101</u>
Cash flows from investing activities:	
Investment income (net of income)	2,200
Net cash provided (used) by investing activities	<u>2,200</u>
Net increase (decrease) in cash and cash equivalents	49,093
Cash and cash equivalents at beginning of year	<u>304,000</u>
Cash and cash equivalents at end of year	<u>\$ 353,093</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 TOWN OF JONESBORO
Jonesboro, 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 Jonesboro, Louisiana. This creation was contingent upon the approval of the local governing body of the Town. A five member Board of Commissioners governs the authority. The members, appointed by the Town of Jonesboro, 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 the low rent character.

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

(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 Town of Jonesboro, Louisiana since the town appoints a voting majority of the authority's governing board. The town 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 town. Accordingly, the authority is not a component unit of the financial reporting entity of the town.

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.
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.

(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) Investments

Investments are limited by HUD regulations, state law, and the authority's investment policy. Investments with original maturities of 90 days or greater are classified as investments. Deposits or investments with original maturities of 90 days or less, are classified as cash equivalents. Investments are stated at fair value based on quoted market prices.

(8) 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.

(9) 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	40 Years
Leasehold improvements	10 Years
Equipment	5-10 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 annual and sick leave according to the policy for state employees. Employees 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. However, one employee, per written contract, shall be paid for twelve months service upon separation from employment with the authority. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section C80 is recognized as a current year expense when leave is earned.

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 \$663,270 as follows:

Interest-bearing demand deposits	\$156,769
Time deposits	387,487
Other	4
Total	<u>\$663,270</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 and securities investor protection 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 \$660,000 in deposits (bank balances), categorized below to reflect the amount of risk assumed by the authority.

GASB Category 1	\$371,712
GASB Category 3	188,281
	<u>\$660,000</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.

NOTE C – INVESTMENTS

Investments are categorized into three categories of credit risk:

1. Insured or registered, if securities held by the authority or its agent in the authority's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the authority's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the authority's name.

At fiscal year-end, the authority's investment balances were as follows:

Type of Investment	Category			Reported Amount	Fair Value
	1	2	3		
US Treasury Bills		\$199,629		\$199,629	\$201,234
US Treasury Bills		101,875		101,875	100,188
Total		\$301,504		\$301,504	\$301,422

Investment activity during the year included only those types of investments that existed at year-end as presented above.

Also see Note A for discussion of significant policies.

NOTE D – FIXED ASSETS

The following is a summary of fixed assets:

Land	\$ 680,738
Buildings	3,657,872
Furniture and Equipment:	
Dwellings	183,273
Administration	74,874
Leasehold Improvements	248,387
Construction in progress	432,589
Total	\$5,278,633
Accumulated depreciation	(2,450,062)
Net fixed assets	\$2,828,571

NOTE E - RETIREMENT PLAN

The authority contributes to the Argent Financial Group, which is a defined contribution pension plan.

A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contributions pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account. As established by the PHA's personnel policy, all full time employees of the PHA must participate in the pension plan beginning six months from the date they are hired. Contributions made by the employee vest immediately and contributions made by the authority vest after five years of full time employment. An employee who leaves the employment of the PHA is entitled to his or her contributions and the PHA's contributions to the extent vested on the earnings on those amounts. As

determined by the plan provisions, each employee must contribute 5% of his or her base annual salary to the pension plan. The PHA is required to contribute an amount equal to 7% of the employee's base salary.

The authority's total payroll for the year ended September 30, 2003, was \$209,375. The authority's contributions were calculated using the base salary amount of \$198,752. The authority made the required contributions of \$13,773 for the year ended September 30, 2003.

NOTE F - COMPENSATED ABSENCES

At September 30, 2003, employees of the authority have accumulated and vested \$11,218 of employee leave benefits, which was computed in accordance with GASB Codification Section 580. The leave payable is recorded in the accompanying financial statements.

NOTE G - PRIOR PERIOD ADJUSTMENTS AND CORRECTIONS OF ERRORS

An adjustment of \$12,833 was made to correct prior year depreciation.

NOTE H - 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 I - 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.

William Daniel McCaskill, CPA
A Professional Accounting Corporation
5158 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 855-848-7772
Fax 855-848-1313
E-mail danmy@highperformer.net

Member of
Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

**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 TOWN OF JONESBORO
Jonesboro, Louisiana

I have audited the financial statements of the Housing Authority of the Town of Jonesboro (the authority), as of and for the year ended September 30, 2003 and have issued my report thereon dated April 17, 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, non-compliance 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 instances of non-compliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2003-2 and 2003-3.

HOUSING AUTHORITY OF THE TOWN OF JONESBORO

Jonesboro, Louisiana
Independent Auditor's Report
on Compliance... (Government)
Auditing Standards, 2003
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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. However, I noted certain matters involving the internal control over financial reporting 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 financial reporting that, in my judgment, could adversely affect the authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2.

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 general purpose 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. My 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, I consider the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners and management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Registered

William Daniel McCaskill, CPA, APAC

WILLIAM DANIEL MCCASKILL
1000 W. BROADWAY, SUITE 200
JONESBORO, LOUISIANA 71263
504-633-3333

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 17, 2004

William Daniel McCaskill, CPA

A Professional Accounting Corporation

5150 Highway 22, Suite C-14

Mandeville, Louisiana 70471

Telephone 800-845-1772

Fax 800-845-1213

E-mail dmccoy@highperformer.net

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Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

**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 TOWN OF JONESBORO

Jonesboro, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the Town of Jonesboro (the authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circle 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 each of its major federal programs 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 Circle A-133, Audit of State, Local Governments, and Non-Profit Organizations. Those standards and OMB Circle 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 TOWN OF JONESBORO

Jonesboro, Louisiana
Independent Auditor's Report
on Compliance...A-133, 2003
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As described in item 2003-1 in the accompanying schedule of findings and questioned costs, the authority, did not comply with requirements regarding procurement, suspension and debarment and Davis-Bacon that are applicable to its Capital Fund 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.

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 a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. 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. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

HOUSING AUTHORITY OF THE TOWN OF JONESBORO

Jonesboro, Louisiana
Independent Auditor's Report
on Compliance... A-133, 2004
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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, I consider the reportable condition described above, to be a material weakness.

This report is intended solely for the information and use of the board of commissioners and management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

 ✓ William Daniel McCaskill, CPA, APAC

WILLIAM DANIEL MCCASKILL, CPA, APAC
A PROFESSIONAL ACCOUNTING CORPORATION
1000 PINEAPPLE DRIVE
JONESBORO, LA 71302

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 17, 2004

SCHEDULE 1

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
 Jonesboro, Louisiana
 Schedule of Expenditures of Federal Awards
 For Fiscal Year Ended September 30, 2003

<u>OEDA #</u>	<u>Name of Federal Program</u>	<u>Federal Award Expenditure</u>
14.855a	Low Rent Public Housing	\$ 208,188
14.872	Public Housing Capital Fund Program	102,000
	Total Federal Expenditures	<u>\$ 310,188</u>

**HOUSING AUTHORITY OF THE
TOWN OF JONESBORO**

Jonesboro, 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. This 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*.

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
Jonesboro, Louisiana

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

There were no findings in the prior audit.

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
Jonesboro, 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 a qualified opinion on the general-purpose financial statements of the authority.
2. Two (2) 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. The conditions are reported as material weaknesses.
3. Three (3) instances of noncompliance material to the financial statements of the authority, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.
4. One reportable condition disclosed during the audit of internal control over the major federal award program is 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 condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the authority express a qualified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with Section 503(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was 14,872, Capital Fund.

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
Jonesboro, 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 - FINANCIAL STATEMENTS AUDIT

FINDING 2003-3

Condition – The authority's audit report is late.

Criteria – LRS 24:513 requires the authority to submit the audit report to the Louisiana Legislative Auditor within six months of year-end.

Cause – The auditor was unable to complete the audit on time due to numerous issues as reported in the remaining findings.

Effect – The authority is not in compliance with LRS 24:513.

Recommendation – I recommend that the authority implement the recommendations of the other findings which should reduce unnecessary audit time.

PHA's Response – See corrective action plan.

All of the findings below are also considered financial statement findings.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

FINDING 2003-1

CFF PROGRAM FINDING:

Condition: Testing the 2002 and 2003 CFF indicated the following deficiencies:

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
Jonesboro, Louisiana

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

The PHA did not adequately advertise for contract services. Some advertisements were for multiple crafts but the PHA accepted bids for only portions of the advertisement. The PHA did not provide plans and specifications.

The PHA did not properly procure contract services in that it accepted the bid of the sole bidder without adequate consideration of the circumstances causing the sole bidding.

The PHA added to the scope of contracts without adequate consideration.

Some contracts entered into between the PHA and a contractor did not include all required matters. In fact, a number of the contracts the PHA executed are only 1 page in length.

The PHA did not document the use of the Excluded Parties Listing System (EPLS) concerning contractor debarment.

The PHA did not adequately document the inspection and testing of contractor work.

The PHA's financial reporting for this program did not include the Accounts Receivable HUD as of 9-30-2002 in the amount of \$58,193. The same amount was under-reported as interfund accounts between the Public Housing Program and the CRT Program.

The PHA entered into a number of contracts with one (1) contractor that were less than \$100,000 each without adequate procurement. This caused the PHA to expend the following amounts with 1 contractor using the procurement system:

FY 2001	\$ 73,000
FY 2002	\$ 210,700
FY 2003	\$ 549,345

The PHA did not include wage rate clauses in contracts. The PHA did not require the contractor to provide weekly certified payrolls. The PHA did not test those certified payrolls.

Expenditures could not be adequately traced to construction contracts that could then be traced to items in the approved PHA plan.

Journal entries were recorded to "adjust books to schedule."

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
Jonesboro, Louisiana*Schedule of Current Audit Findings and Questioned Costs (Continued)*
Fiscal Year Ended September 30, 2003**Criteria:**

The PHA should advertise for contract services in accordance with state and federal laws and regulations. The PHA should only accept bids for the work described in the advertisements. The PHA should provide plans and specifications for the contractor to bid on which, in turn, allows the PHA to properly inspect the work before contractor payment.

PHA procurement policy, Federal and State law and regulation do allow choosing the sole bidder after adequate written consideration of the sole bid.

The scope of contracts can be increased only after careful consideration of the PHA procurement policy and Federal and State procurement laws.

Construction contracts must include all matters required by Federal and State law including but not limited to a listing of wage rates, liquidated damages, and language incorporating contract specifications.

Federal regulations require that the PHA document the usage of the EPLS in procurement actions.

The PHA should adequately document the inspection and testing of contractor work.

Financial reporting for the CFP Program should include any accounts receivable and accounts payable between HUD and any interfund program of the PHA. The execution of multiple contracts less than \$100,000 each should not be done in order to bypass procurement thresholds.

Construction contracts should include wage rate clauses. The contractor should be required to provide weekly certified payroll data. The PHA should test the certified payroll data.

Expenditures should be supported by documentation that tie into adequate construction contracts that should support reporting per the approved PHA plan.

HOUSING AUTHORITY OF THE TOWN OF JONESBORO Jonesboro, Louisiana

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

Cause: This PHA did not participate in a modernization program from the early 1960's through 1999. In FY 2000 the PHA began participating in annual Capital Fund Programs (CFP). The PHA contracted with an architectural firm who assisted PHA staff in conforming with regulations and laws. The PHA contracted with a general contractor for the 1st phase of the work. At the completion of this contract and phase the contractor was not eligible for future Federal work due to circumstances not relating to this PHA. At the same time PHA staff determined that they were not satisfied with the work performed by the architect.

PHA staff contacted HUD staff and received verbal advice relative to emergency procurement of contracts less than \$100,000. PHA staff determined that the work needed fit the definition of emergency procurement of contracts less than \$100,000 and proceeded with the procurement based on that understanding.

Effect: It appears that the PHA violated its own procurement policy as well as Federal and State law and regulation concerning procurement and monitoring of CFP activities. The audit trail for the CFP program is not sufficient to allow for an unqualified audit opinion as well as the certification of the Actual Modernization Cost Certificate.

This finding includes internal control and compliance deficiencies per A-103 of Activities Allowed and Unallowed, Allowable Cost Principles, Davis-Bacon, Procurement Suspension and Debarment, and Reporting.

Questioned Costs—All CFP costs incurred this fiscal year as follows:

2002 CFP	\$374,633
2003 CFP	57,968
Total	\$432,601

Recommendation: I recommend that the PHA retain a professional modernization coordinator to organize and document all future CFP program activities. I recommend that PHA staff attend CFP program training.

PHA Response—See Corrective Action Plan

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
Jonesboro, Louisiana

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

FINDING 2003-2

Condition—The board of commissioners minutes do not reflect adequate consideration of matters and issues that the board is charged with monitoring. In fact, they only include a reference to the various resolutions adopted.

Criteria—The board minutes should include at a minimum the following:

Discussion of issues per the agenda.

Consideration of financial statements during the fiscal year.

Resolutions should include a copy of any document, policy, or report approved.

Cause—The staff member that transcribes the minutes is probably not transcribing all that occurs at the board meetings.

Effect—I cannot determine if the board of commissioners is adequately performing their duties. I cannot confirm that documents purported to be adopted by the board of commissioners are true copies of those adopted.

Recommendation – I recommend that the board minutes include sufficient detail to correct the condition described above.

PHA's Response – See Corrective Action Plan

**HOUSING AUTHORITY OF THE TOWN OF
JONESBORO**

Jonesboro, Louisiana

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

2003-1

Person Responsible—Cora Stringer

Anticipated Completion Date—April 30, 2004

Action Planned—We will advertise for a modernization coordinator to organize and properly document CFP activities beginning April 30, 2004. We will send a copy of the modernization contractor contract to HUD for review. We will have PHA staff trained on the requirements of the CFP program. We will make every effort in the future to comply with the PHA procurement policy as well as Federal and State law and regulation.

2003-2

Person Responsible—Board Chairperson

Anticipated Completion Date—March 1, 2004

Action Planned—We will insure that all discussion of matters per the agenda are transcribed. We will have PHA staff provide a board packet one week in advance of each board meeting which will include documents to support each item on the agenda including current financial statements. We will insure that each resolution includes a copy of any document adopted.

2003-3

Person Responsible—Cora Stringer

Anticipated Completion Date—April 30, 2004

Action Planned—We will implement the above recommendations and do everything we can to ensure that PHA records are suitable for audit.

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
Financial Statements
For Fiscal Year Ended September 30, 2020

SCHEDULE 2

Line Item Number	Account Description	Line Item		Total
		Public	Trusty	
		(Funding)		
111	Cash - unrestricted	\$ 508,470	\$ -	\$ 508,470
114	Cash - loan security deposits	14,800	-	14,800
100	Total Cash	\$ 523,270	\$ -	\$ 523,270
131	Investments - unrestricted	501,500	-	501,500
142	Prepaid expenses and other assets	20,621	-	20,621
100	Total Current Assets	\$ 1,045,391	\$ -	\$ 1,045,391
201	Land	680,758	-	680,758
202	Buildings	2,278,628	-	2,278,628
203	Furniture, equipment and machinery - operating	180,273	-	180,273
204	Furniture, equipment and machinery - administration	74,674	-	74,674
205	Leasehold improvements	248,563	-	248,563
206	Accumulated depreciation	(2,492,062)	-	(2,492,062)
207	Construction in progress	-	487,588	487,588
200	Total Non-current Assets	\$ 2,049,126	\$ 487,588	\$ 2,536,714
100	Total Assets	\$ 2,594,517	\$ 487,588	\$ 3,082,105
310	Accounts payable - 30 days	39	-	39
321	Accrued employee/union payables	1,628	-	1,628
330	Accrued compensated absences	4,888	-	4,888
331	Accounts payable - other government	(2,347)	-	(2,347)
341	Unpaid security deposits	14,937	-	14,937
300	Total Current Liabilities	\$ 10,345	\$ -	\$ 10,345
350	Non-current liabilities - annual lease	8,700	-	8,700
300	Total Non-current Liabilities	\$ 8,700	\$ -	\$ 8,700
300	Total Liabilities	\$ 19,045	\$ -	\$ 19,045
401	Net HUD PIH contributions	1,622,548	-	1,622,548
400	Total Unrestricted Capital	\$ 1,622,548	\$ -	\$ 1,622,548
510	Unallocated land/development earnings	1,007,241	400,000	1,407,241
500	Total Equity	\$ 2,629,789	\$ 400,000	\$ 3,029,789
400	Total Unrestricted Equity	\$ 2,629,789	\$ 400,000	\$ 3,029,789

HOUSING AUTHORITY OF THE TOWN OF JONESBORO
 Jonesboro, Louisiana
 Financial Statements Schedule
 For Fiscal Year Ending September 30, 2003

SCHEDULE B

300 Net leased rental revenue	241,717	-	241,717
300 Total Revenues	241,717	-	241,717
300 FICA FICA grants	258,188	-	258,188
700.1 Capital grants	-	400,000	400,000
711 Investment income - unrestricted	3,710	-	3,710
712 Other revenue	88,283	-	88,283
700 Total Revenues	940,481	400,000	1,340,481
811 Administrative salaries	87,526	-	87,526
812 Building fees	2,798	-	2,798
813 Employee benefit contributions - administrative	36,740	-	36,740
814 Other operating - administrative	24,257	-	24,257
824 Transit services - other	5,588	-	5,588
821 Paper	776	-	776
822 Electricity	7,700	-	7,700
823 Gas	3,173	-	3,173
826 Other utilities expense	580	-	580
841 Ordinary maintenance and operations - school	711,747	-	711,747
842 Ordinary maintenance and operations - hotels and other	40,847	-	40,847
843 Ordinary maintenance and operations - contract work	38,812	-	38,812
845 Employee benefit contributions - ordinary maintenance	41,888	-	41,888
852 Protective services - other contract work	16,081	-	16,081
861 Insurance premiums	63,128	-	63,128
863 Payments in lieu of taxes	22,944	-	22,944
800 Total Operating Expenses	1,442,766	-	1,442,766
900 Other Expenses - Other Capital Projects - Other Expenses	41,000	400,000	441,000
914 Depreciation expense	200,500	-	200,500
900 Total Expenses	1,483,766	400,000	1,883,766
(900.00) - (900.00) - (900.00) - (900.00) - (900.00) - (900.00)	212,000.00	410,000.00	622,000.00
MIND ACCOUNT INFORMATION			
Y01 Beginning equity	2,851,883	243,172	3,095,055
Y04 Prior period adjustments, equity transfers, and correction of errors	283,000	(243,172)	49,828
Y00 Unavailable funds	3,282	-	3,282
Y01 Number of unit months leased	3,342	-	3,342