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GENERAL INVESTIGATION  
DIVISION

**Governing Authority of the Town of Delhi  
Delhi, Louisiana**

**Financial Statements and Supplemental Financial Information  
Year Ended December 31, 1955  
with  
Reports of Certified Public Accountants  
on Financial and Compliance Examination**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 9-4-56

10-1-56

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## FINANCIAL SECTION

## **Independent Auditors' Report**

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

We have audited the accompanying general purpose financial statements and the combining financial statements of the Housing Authority of the Town of Delhi as of December 31, 1995, and for the year then ended, as listed in the table of contents. These financial statements and the supplemental financial information and supplemental financial information - statutory basis are the responsibility of the authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of missing historical documents, we were unable to form an opinion regarding the General Fixed Assets Account Group on the accompanying balance sheet, which shows a balance of \$ 8,264 as of December 31, 1995 audit report, which was prepared by the auditors.

In our opinion, except as noted in paragraph three, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the Town of Delhi as of December 31, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Housing Authority of the Town of Delhi as of December 31, 1995, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 1996 on our consideration of Housing Authority of the Town of Delhi's internal control structure and a report dated June 28, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining financial statements. The accompanying financial

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

Information listed as supplemental financial information and supplemental financial information - statutory basis in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Housing Authority of the Town of Delhi. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. As described in Note 1, the supplemental financial information - statutory basis was prepared in conformity with the accounting practices prescribed by the U.S. Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles. Such supplemental financial information - statutory basis has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly presented in all material respects in conformity with the comprehensive basis of accounting described in Note 1.



Monroe, Louisiana  
June 28, 1990

**GENERAL PURPOSE FINANCIAL STATEMENTS**

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

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 1995**

	Governmental Fund Type	Special Districts	General Funds	Blended Total '95	Blended Total '94
	Special Revenues	General Fund Assets			
<b>Assets and other debits</b>					
<b>Assets:</b>					
Cash	\$ 4,439	\$	\$ 4,439	\$ 4,439	\$ 4,439
Receivables:					
Other general	3,147		3,147	4,587	
Other					
Restricted assets:					
Cash	21,098		21,098	21,098	21,098
Fixed assets		8,244	8,244	8,244	8,244
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 29,284</b>	<b>\$ 8,244</b>	<b>\$ 37,528</b>	<b>\$ 37,528</b>	<b>\$ 36,604</b>
<b>Liabilities, Equity, and other Credits</b>					
<b>Liabilities:</b>					
Accounts payable:					
Trade	188		188	287	
Other payable	199		199	199	
<b>TOTAL LIABILITIES</b>	<b>\$ 387</b>	<b>\$ 0</b>	<b>\$ 387</b>	<b>\$ 486</b>	<b>\$ 486</b>
<b>Equity and other Credits:</b>					
Investments in general fund assets	\$	\$ 8,244	\$ 8,244	\$ 8,244	\$ 8,244
Fund balances:					
Governmental, unassigned	28,897		28,897	27,868	27,868
<b>Total Equity and Other Credits</b>	<b>28,897</b>	<b>8,244</b>	<b>37,141</b>	<b>36,142</b>	<b>36,142</b>
<b>TOTAL LIAB, EQUITY AND OTHER CREDITS</b>	<b>\$ 29,284</b>	<b>\$ 8,244</b>	<b>\$ 37,528</b>	<b>\$ 36,604</b>	<b>\$ 36,604</b>

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

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types  
Year ended December 31, 1995**

	<u>Governmental Fund types</u>	
	<u>Special Revenues</u>	<u>Major Funds (2094)</u>
<b>Revenues:</b>		
Operational subsidies/grants	\$ 83,708	\$ 85,521
Interest	785	158
<b>Total Revenues</b>	<u>84,493</u>	<u>85,679</u>
<b>Expenditures</b>		
Current	\$ 12,499	\$ 11,118
Housing operations	65,881	71,884
Housing assistance		
<b>Total Expenditures</b>	<u>\$ 78,380</u>	<u>\$ 82,992</u>
<b>Excess of Revenues over (under) Expenditures</b>	\$ 6,113	\$ 2,687
<b>Fund Balance, beginning of period</b>	<u>21,024</u>	<u>19,649</u>
<b>Fund Balance, end of period</b>	<u>\$ 27,137</u>	<u>\$ 22,336</u>



Housing Authority of the Town of Delhi  
Delhi, Louisiana

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Budget and Actual - All Governmental Fund Types  
Year Ended December 31, 1985

	Special Revenue Funds		
	Budget	Actual	Variance (See Exhibit)
<b>Revenues</b>			
Operational suballocations	\$ 83,368	\$ 83,508	\$ (200)
Interest		305	305
<b>Total Revenues</b>	<u>83,368</u>	<u>84,175</u>	<u>305</u>
<b>Expenditures</b>			
Current:			
Administrative fee	\$ 12,125	\$ 11,051	\$ 1,074
Audit fees	600	1,448	(848)
Standby administration			
Unlimited fund - in - House	225	0	225
Ins			
Employee benefits			
Miscellaneous			
Housing assistance payments	70,018	69,081	4,737
Capital expenditures			
<b>Total Expenditures</b>	<u>\$ 83,368</u>	<u>\$ 78,580</u>	<u>\$ 5,008</u>
<b>Excess of Revenues over (under)- Expenditures</b>	<u>\$ 0</u>	<u>\$ 5,695</u>	<u>\$ 5,695</u>
<b>Fund Balance, beginning of period</b>		<u>23,224</u>	
<b>Fund Balance, end of period</b>		<u>\$ 28,919</u>	

Housing Authority of the Town of Delhi  
Delhi, Louisiana  
December 31, 1995

Notes to the Financial Statements December 31, 1995

**NOTE 1 - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Public housing authorities (PHA) are created as political subdivisions and a public corporation under the laws (LSA-RS 40:381) of the State of Louisiana.

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 PHA for the purpose of assisting the PHA in financing the acquisition, construction and leasing of Housing Units and to make annual contributions (subsidies) to the PHA for the purpose of maintaining this low-rent character.

**Reporting Entity**

This report includes all funds and accounts which the governing board (Board of Commissioners) controls. Because the PHA is solely accountable for fiscal matters, which include (1) budget authority, (2) responsibility for funding deficits and operating deficiencies, (3) fiscal management for controlling the collection and disbursement of funds, (4) authority of issue debt, and (5) authority to execute contracts, the PHA is a separate governmental reporting entity.

**Principles of Accounting**

The financial statements of the Housing Authority of the Town of Delhi are prepared on the basis of accounting practices prescribed or permitted by the U.S. Department of Housing and Urban Development (HUD). These practices differ in some respects from generally accepted accounting principles.

Assets and liabilities are not segregated between current and non-current as required by generally accepted accounting principles.

Land, structures and equipment are recorded at cost in accordance with HUD procedures. There is no allowance for depreciation. When assets are retired or otherwise disposed of, the resulting gain or loss is reflected in income for the period.

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Notes to the Financial Statements  
December 31, 1993

**NOTE 1-SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Principles of Accounting (continued)**

The PHA recognizes the costs of accumulated unpaid vacation and sick leave when paid rather than in the period earned.

The PHA does not include annual contributions from HUD in the statement of income and expenses. Annual contributions are recorded to the PHA's surplus accounts.

The PHA, being a non-profit organization, is not subject to income taxes.

A statement of cash flows as required by generally accepted accounting principles has not been presented.

Governmental fund accounting principles are not utilized.

Financial statement formats vary from generally accepted accounting principles.

Revenues are recognized when they become measurable as net current assets. All significant revenue is susceptible to accrual.

**Budgets**

Budgets are prepared prior to the start of the fiscal year and approved by HUD. Budget amendments require approval by HUD.

**NOTE 2 - ACTIVITIES OF THE PUBLIC HOUSING AUTHORITY**

The PHA had 40 units in management under the following HUD contracts:

	Contract	Number of units
Housing Assistance Payments Program: Rental Certificates	1W 1286	- 40

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Notes to the Financial Statements  
December 31, 1995

A program previously operated involving voucher certificates have been discontinued, but not formally closed out. Consequently, the surplus related to that activity is still shown on the statutory presentation.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The PHA considers cash and investments with a maturity value of three months or less as cash equivalents. All surplus cash balances are invested in certificates of deposit. Cash and investments are deposited in legally-chartered banks. Cash and cash equivalents are comprised of the following at December 31, 1995:

Cash - Certificate Program	\$ 4,439
- Restricted (book balance) - Lease Program	21,808
Total cash and cash equivalents	<u>\$ 26,137</u>

Cash is insured by the Federal Deposit Insurance Corporation as follows at December 31, 1995:

Cash - (bank balance)	\$ 26,137
Rental Certificates and Lease Program	<u>          </u>
FDIC insurance	<u>\$ 26,137</u>

The PHA has discontinued it's lease program but HUD has not closed the program, nor given instructions on whether any of the surplus represented by cash is to be returned or applied to the certificate program. Therefore, PHA considers these funds restricted until the program is closed by HUD.

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Notes to the Financial Statements  
December 31, 1995

**NOTE 4 - ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE - HUD**

Accounts receivable consists of the following at December 31, 1995:

	Rental Certificates
HUD	\$ 3,137
	-----

Accounts payable consists of the following at December 31, 1995:

HUD	109
	-----

**NOTE 5 - EQUIPMENT**

Equipment is comprised of equipment in the amount of \$ 8,244. As noted in our report, we were unable to audit this account because the original records are not available.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	Rental Certificates
Accounts Payable:	
Other program	\$ 0
	-----
Accrued Liabilities:	
Payroll Taxes	108
	-----

**NOTE 7 - CONTINGENCIES**

Periodically, HUD conducts reviews of a PHA to determine compliance with regulations and grant agreements. These reviews can result in additional payments by HUD and/or refunds to HUD from the PHA. No reserve has been recorded for the potential claim (s) or obligations.

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Notes to the Financial Statements  
December 31, 1995

**NOTE 3 - ACCUMULATED ANNUAL AND SICK LEAVE**

PILA has no full-time employees and therefore has no one that is eligible for annual or sick leave benefits.

**NOTE 4 - UNPOSTED ADJUSTMENTS - SURPLUS**

A difference exists between GAAP presentation and Statutory presentation because 1994 adjustments for \$ 142 and 1995 adjustments for \$ 50 have not been posted.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**SUPPLEMENTAL FINANCIAL INFORMATION - STATUTORY BASIS**



Housing Authority of the Town of Delhi  
Delhi, Louisiana

Balance Sheet - Statutory Basis  
December 31, 1995

ASSETS	Certificate Funding FW-128011
Cash - checking and on hand	
Cash - savings and CDs	\$ 11,071
Accounts receivable - HUD	80,186
Fixed assets	3,147
	8,204
Total Assets	<u>\$ 11,528</u>
LIABILITIES AND SURPLUS	
Accounts payable - HUD	
Accounts payable - other	\$ 189
	168
Total Liabilities	<u>\$ 357</u>
Surplus	11,161
Total Liabilities and Surplus	<u>\$ 11,528</u>

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Statement of Income and Expenses - Statutory Basis  
Continuing Housing Program  
Year Ended December 31, 1995

ANNUAL CONTRIBUTIONS CONTRACT FM- 2286c

Operating income		
Interest on spending reserve investments	\$	
		<u>795</u>
Total operating income	\$	
HUD Contribution		<u>80,568</u>
Operating expenses	\$	
Housing assistance payments		64,881
Administrative expenses		11,851
General expenses		1,448
Total operating expenses	\$	<u>78,180</u>
Net Income	\$	<u>5,693</u>

**Housing Authority of the Town of Delhi**  
**Delhi, Louisiana**  
**Analysis of Surplus - Statutory Basis**  
**Year Ended December 31, 1995**

	Condition Housing FY - 1996	Wooden Housing FY -	Total
<b>Unreserved Surplus</b>			
Balance per 12-31-94 audit	\$ 14,600	\$ 1,104,000	\$
PM income (Less) FY 12-31-94	1,000		
CR provision FY 12-31-95	21,240		
100% Project provision FY 12-31-95	71,960		
<b>Balance at 12-31-95</b>	<u>\$ 108,800</u>	<u>\$ 1,104,000</u>	
<b>Reserved Surplus</b>			
Balance per 12-31-94 audit	\$ 9,000	\$ (13,404)	
CR provision FY 12-31-94	15,000		
<b>Balance at 12-31-95</b>	<u>\$ 24,000</u>	<u>\$ (13,404)</u>	
<b>Project account - unfunded I&amp;P</b>			
Balance per 12-31-94 audit	\$ (20,000)	\$	
I&P project provision FY 12-31-95	(21,344)		
<b>Balance at 12-31-95</b>	<u>\$ (41,344)</u>	<u>\$</u>	
<b>Cumulative contributions from I&amp;P</b>			
Balance per 12-31-94 audit	\$ (258,241)	\$ (1,862,244)	
Contrib. Income FY 12-31-95	(33,500)		
Operating subsidy FY 12-31-95	(33,500)		
<b>Balance at 12-31-95</b>	<u>\$ (325,241)</u>	<u>\$ (1,862,244)</u>	
<b>Total Surplus</b>	<u>\$ (1,271)</u>	<u>\$ (20,696)</u>	<u>\$ 30,000</u>
<b>Unreported Adjustments</b>			<u>\$ 0</u>
<b>Total Surplus</b>			<u><u>\$ 30,000</u></u>

Housing Authority of the Town of Delhi  
 Delhi, Louisiana  
 Computation of Annual Contributions Earned and  
 Project Account and Operating Reserve Changes  
 Certificate Housing Program  
 Year ended December 31, 1995  
 Annual Contributions Contract PW 02866

<b>Maximum Contributions Available</b>	\$	
Maximum annual contribution authorized		96,544
Project account, beginning of year		0
	\$	96,544
<b>Total annual contributions available</b>		96,544
<b>Annual Contributions Required</b>	\$	65,081
Housing assistance payments		55,043
Administrative fee		1,448
Audit fee		0
	\$	66,491
Total funds required		0
Less project receipts other than annual contribution		0
	\$	66,491
<b>Total annual contribution required</b>		66,491
<b>Project Account Change</b>	\$	17,609
New project account balance		17,609
<b>Annual Contribution Earned - lesser of Contributions available or required</b>	\$	66,509
		66,509
<b>Operating Reserve Change</b>	\$	0
Operating receipts		624
Operating income		85,768
Annual contribution earned		0
	\$	86,412
<b>Total operating receipts</b>		86,412
<b>Operating expenditures</b>	\$	78,980
Operating expenses		78,980
	\$	78,980
<b>Total operating expenditures</b>		78,980
<b>Net operating receipts available - audit Audit adjustments</b>	\$	7,432
		7,432
<b>Provision for operating reserve</b>	\$	5,893
		5,893

**NON - FINANCIAL SECTION**

Independent Auditors' Report on Compliance Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards

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

We have audited the general purpose and combining financial statements of Housing Authority of the Town of Delhi as of and for the year ended December 31, 1995, and have issued our report thereon dated June 28, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose and combining financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Housing Authority of the Town of Delhi is the responsibility of the authority's management. As part of obtaining reasonable assurance about whether the general purpose and combining financial statements are free of material misstatement, we performed tests of the authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose and combining financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.



June 28, 1996

**Independent Auditors' Report on Compliance with Specific Requirements  
Applicable to Major Federal Financial Assistance Programs**

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

We have audited the general purpose combining financial statements of Housing Authority of the Town of Delhi as of and for the year ended December 31, 1995, and have issued our report thereon dated June 28, 1996.

We have also audited Housing Authority of the Town of Delhi compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; cost allocation; claims for advances or reimbursements; and special tests and provisions that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance for the year ended December 31, 1995. The management of Housing Authority of the Town of Delhi is responsible for the authority's compliance with these requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A - 128, "Audit of State and Local Governments". Those standards and OMB Circular A - 128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above exists. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Housing Authority of the Town of Delhi complied, in all material respects, with the requirements referred to in the second paragraph that are applicable to each of its major federal financial assistance programs for the year ended December 31, 1995.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.

*William R. Edwards*

June 28, 1996

**Independent Auditors' Report on Compliance with the General Requirements  
Applicable to Federal Financial Assistance Programs**

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

We have audited the general purpose and combining financial statements of Housing Authority of the Town of Delhi as of and for the year ended December 31, 1995, and have issued our report thereon dated June 28, 1996.

We have applied procedures to test Housing Authority of the Town of Delhi compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the schedule of Federal financial assistance, for the year ended December 31, 1995:

- Political Activity
- Davis - Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Reports (Claims for Advances and Reimbursements)
- Allowable costs/Cost principles
- Drug - Free Workplace Act
- Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Housing Authority of the Town of Delhi had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.

*William D. Edwards*

June 28, 1996



*Independent Auditors' Report on the Internal Control Structure Based on an Audit of General Purpose and Combining Financial Statements Performed in Accordance with Government Auditing Standards*

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

We have audited the general purpose and combining financial statements of Housing Authority of the Town of Delhi as of and for the year ended December 31, 1995, and have issued our report thereon dated June 28, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose and combining financial statements are free of material misstatement.

The management of Housing Authority of the Town of Delhi is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose and combining financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose and combining financial statements of Housing Authority of the Town of Delhi for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose and combining financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could

adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the objectives of management in the general purpose and combining financial statements.

Our study of the authority's internal control structure disclosed a reportable condition in internal controls relating to segregation of duties. Due to its limited size, the entity does not have the personnel to adequately separate the internal accounting control duties. The segregation of duties is a decision that must be made by management on a cost - benefit basis. Management must determine if the costs of implementing an adequate internal control system will outweigh the benefits derived from such a system. This reportable condition is inherent in all small entities, and should not be construed as a failure in proper management. We concur with management's opinion that the costs incurred to implement an adequate internal control system would exceed the benefits derived from such a system.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in accounts that would be material in relation to the general purpose and combining financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

  
June 28, 1996

**Independent Auditors' Report on the Internal Control Structure Used in  
Administering Federal Financial Assistance Programs**

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

We have audited the general purpose and combining financial statements of Housing Authority of the Town of Delhi for the year ended December 31, 1995, and have issued our report thereon dated June 28, 1996. We have also audited Housing Authority of the Town of Delhi compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated June 28, 1996.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A - 128, Audits of State and Local Governments. These standards and OMB Circular A - 128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose and combining financial statements are free of material misstatement and about whether Housing Authority of the Town of Delhi complied with laws and regulations, non-compliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended December 31, 1995, we considered the authority's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the authority's general purpose and combining financial statements and on its compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A - 128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose and combining financial statements in a separate report dated June 28, 1996.

The management of Housing Authority of the Town of Delhi is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs in internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose and combining financial statements in accordance with generally accept accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of non-compliance may nevertheless occur and not be detected. Also, projection of any evaluation of

the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

**Activity Cycles**

- Treasury or financing
- Revenue/Receipts
- Purchases/Disbursements
- Internal financial reporting
- Payroll/personnel

**General Requirements**

- Political activity
- Davis - Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable cost/cost principles
- Drug - Free workplace
- Administrative requirements

**Specific Requirements**

- Types of service allowed or unallowed
- Eligibility
- Reporting
- Cost allocation
- Special tests and provisions

**Claims for Advances and Reimbursements**

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have placed in operation, and we assessed control risk.

During the year ended December 31, 1995, Housing Authority of the Town of Delhi expended 100 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A - 138, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general

requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the authority's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were not in scope that would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that in our judgment, could adversely affect the authority's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

Our study of the authority's internal control structure disclosed a reportable condition in internal controls relating to segregation of duties. Due to its limited size, the entity does not have the personnel to adequately separate the internal accounting control duties. The segregation of duties is a decision that must be made by management on a cost-benefit basis. Management must determine if the costs of implementing an adequate internal control system will outweigh the benefits derived from such a system. This reportable condition is inherent in all small entities, and should not be construed as a failure in proper management. We concur with management's opinion that the costs incurred to implement an adequate internal control system would exceed the benefits derived from such a system.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the Board of Commissioners, management and U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

*William M. Lawrence*

June 28, 1996

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Schedule of Prior Audit Findings  
as of and for the Year Ended December 31, 1995

1. Item is repeated, see December 31, 1995 findings.
2. Item 2 is resolved.

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Schedule of Findings  
as of and for the Year Ended December 31, 1995

I. **Inadequate Segregation of Duties**  
(Section 8 Rental Certificate Program - CFDA #14.857)

**CONDITION:** Nearly all functions of the Housing Authority are performed or controlled by the Executive Director. These functions include purchasing, disbursements, eligibility decisions, and identification of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures, the Executive Director and a member of the Board. We feel duties are aggregated to the greatest possible extent given the fact that the Housing Authority has only two employees.

**CAUSE OF CONDITION:** Due to its small size, the Housing Authority has only two employees - the Executive Director and one clerk, both whom work part time.

**RECOMMENDATION:** The Housing Authority cannot hire another additional staff because this would not be cost beneficial.

Housing Authority of the Town of Delhi  
Delhi, Louisiana

Schedule of Adjustments  
as of and for the Year Ended December 31, 1959

	1.	<u>1958</u>	<u>1959</u>
Administrative Salaries	8 - 4010	125	84
Supplies	8 - 4090		313
Accounting	8 - 4170	84	
	2.		
Investments	1,162	50	
Interest Income	3,508		50