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JUL 1 1996

COMMUNICATIONS SECTION

HOUSING AUTHORITY OF THE TOWN OF DELHI
 DELHI, LOUISIANA
 Financial Statements and
 Supplemental Financial Information
 Year Ended December 31, 1996
 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 auditor, or reviewer, and to 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 July 3, 1997 3

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FINANCIAL SECTION

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of CPAs

Independent Auditors' Report

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

I 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, 1996, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I 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". These standards and OMB Circular A-128 require that I 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. I believe that my audit provides a reasonable basis for my opinion.

Because of missing historical documents, I was unable to form an opinion regarding the General Fixed Assets Account Group on the accompanying balance sheet, which shows a balance of \$ 8,244 as of December 31, 1996.

In my 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, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in my 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, 1996, 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 18, 1997 on my consideration of Housing Authority of the Town of Delhi's internal control structure and a report dated June 18, 1997 on its compliance with laws and regulations.

My 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 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 my 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 principles 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 my opinion, is fairly presented in all material respects in conformity with the comprehensive basis of accounting described in Note 1.



Easton, Louisiana
June 18, 1997

GENERAL PURPOSE FINANCIAL STATEMENTS

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

**Combined Balance Sheet - All Fund Types and Account Groups
December 31, 1996**

| | Governmental Fund Type | Amount 000000 | Special Revenue Fund Type | Amount 000000 | Major Total 95 | Major Total 96 | | |
|--|---------------------------|------------------|------------------------------|------------------|----------------|----------------|-----------|---------------|
| Assets and other debits: | | | | | | | | |
| Assets | | | | | | | | |
| Cash | \$ | 29,029 | \$ | \$ | 29,029 | \$ | 4,439 | |
| Receivables: Other govern't Other | | 1,058 | | 5,898 | 5,898 | 3,147 | | |
| Restricted assets: Cash | | 383 | | 383 | 383 | 21,498 | | |
| Fixed assets | | | 8,244 | 8,244 | 8,244 | 8,244 | | |
| TOTAL ASSETS AND OTHER DEBITS | \$ | 30,470 | \$ | 8,244 | \$ | 38,714 | \$ | 35,288 |
| Liabilities, Equity, and other Credits | | | | | | | | |
| Liabilities | | | | | | | | |
| Account payable: Trade | | 117 | | 117 | 117 | 158 | | |
| Other payable | | 159 | | 159 | 159 | 159 | | |
| TOTAL LIABILITIES | \$ | 276 | \$ | 276 | \$ | 276 | \$ | 317 |
| Equity and other Credits | | | | | | | | |
| Investment in general fixed assets | \$ | | \$ | 8,244 | \$ | 8,244 | \$ | 8,244 |
| Fund balances: Unexpended, unassigned | | 30,194 | | 30,194 | 30,194 | 26,917 | | |
| Total Equity and Other Credits | | 30,194 | \$ | 8,244 | \$ | 38,438 | \$ | 35,171 |
| TOTAL LIABILITIES AND OTHER CREDITS | \$ | 30,470 | \$ | 8,244 | \$ | 38,714 | \$ | 35,288 |

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

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-
All Governmental Fund Types
Year Ended December 31, 1996**

| | Governmental | |
|--|------------------|---------------------|
| | Fund types | |
| | Special Revenue | Other Funds 1996 |
| Revenues: | | |
| Operational - rentals/parts | \$ 81,442 | \$ 83,368 |
| Interest | 813 | 761 |
| Total Revenues | 82,255 | 84,129 |
| Expenditures: | | |
| Capital: | | |
| Housing operations | \$ 15,112 | \$ 12,499 |
| Housing assistance | 64,769 | 69,881 |
| Total Expenditures | 79,881 | 82,380 |
| Excess of Revenues over (under) | 2,374 | 1,749 |
| Expenditures | | |
| Fund Balance, beginning of period | 28,917 | 23,024 |
| Fund Balance, end of period | \$ 31,291 | \$ 24,773 |

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, 1996

| | Special Economic Funds | | Variance(Favor/Unfavor) |
|---|------------------------|-----------|----------------------------------|
| | Budget | Actual | |
| Revenues: | | | |
| Operational subsidies/grants | \$ 78,550 | \$ 80,482 | \$ 1,932 |
| Interest | | 673 | 673 |
| Total Revenues | 78,550 | 81,155 | 2,604 |
| Expenditures: | | | |
| Current: | | | |
| Administrative fee | \$ 13,129 | \$ 11,844 | \$ 1,285 |
| Audit fees | 300 | 3,268 | (2,968) |
| Sanitary administration | | | |
| Estimated Hard - to - Home | | | |
| Fee | 0 | 0 | 0 |
| Dwelling assistance payments | 62,496 | 66,769 | 4,273 |
| Capital expenditures | | | |
| Total Expenditures | \$ 78,550 | \$ 79,881 | \$ 1,381 |
| Excess of Revenues over (under) Expenditures | \$ 0 | \$ 1,274 | \$ 1,274 |
| Fund Balance, beginning of period | | 28,517 | |
| Fund Balance, end of period | | \$ 29,791 | |

Housing Authority of the Town of Delhi
Delhi, Louisiana
December 31, 1996

Notes to the Financial Statements December 31, 1996

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

Organization

Public housing authorities (PHA) are chartered as political subdivisions and a public corporation under the laws (LSA-RS 40:981) 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 (Continued)
December 31, 1996

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 revenues 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 | FW 1286e | 40 |

Housing Authority of the Town of Bogalusa
Bogalusa, Louisiana

Notes to the Financial Statements
December 31, 1996

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 3 - 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, 1996:

| | |
|--|------------------|
| Cash - Certificate Program | \$ 25,025 |
| - Restricted (book balance) - Lease Programs | 383 |
| Total cash and cash equivalents | <u>\$ 25,408</u> |

Cash is insured by the Federal Deposit Insurance Corporation as follows, at December 31, 1996:

| | |
|---------------------------------------|-------------------|
| Cash - (book balance) | \$ 25,408 |
| Rental Certificate and Lease Programs | <u> </u> |
| FDIC insurance | <u>\$ 25,408</u> |

The PHA has discontinued it's lease program but HUD has closed the program, however, there were funds left over after HUD's authorized transfer. Therefore, PHA considers these funds restricted until instructed by HUD.

Housing Authority of the Town of Delhi
Delhi, Louisiana

Notes to the Financial Statements (Continued)
December 31, 1996

NOTE 4 - ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE - HUD

Accounts receivable consists of the following at December 31, 1996:

| | Rental Certificates |
|-----|------------------------|
| HUD | \$ 5,058 |

Accounts payable consists of the following at December 31, 1996:

| | |
|-----|-----|
| HUD | 100 |
|-----|-----|

NOTE 5 - EQUIPMENT

Equipment is comprised of equipment in the amount of \$8,244. As noted in my report, I was unable to audit this account because the original record are not available.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | Rental Certificates |
|----------------------|------------------------|
| Accounts Payable: | |
| Other program | \$ 0 |
| Accrued Liabilities: | |
| Payroll Taxes | 100 |

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 for refunds to HUD from the PHA. No reserve has been recorded for the potential claim(s) or overpayments.

Housing Authority of the Town of Delhi
Delhi, Louisiana

Notes to the Financial Statements (Continued)
December 31, 1996

NOTE 4 - ACCUMULATED ANNUAL AND SICK LEAVE

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

NOTE 5 - UNPOSTED ADJUSTMENTS - SURPLUS

A difference exists between GAAP presentation and statutory presentation because 1994 adjustments for \$ 141 and 1996 adjustments for \$ 100 have not been posted.

SUPPLEMENTAL FINANCIAL INFORMATION

Housing Authority of the Town of Belle
Belle, Louisiana

Schedule of Federal Financial Assistance
Year Ended December 31, 1996

EXHIBIT D

| Federal Grants/ Pass Through Grants/Program Name | CFDA# | Grant ID# | Program or Award Amount |
|--|--------|------------|----------------------------|
| U.S. Department of Housing And Urban Development Economic Programs | | | |
| Section 8 Rental Certificate Program | 14.857 | PW - 1288e | \$ 80,482 |

SUPPLEMENTAL FINANCIAL INFORMATION - STATUTORY BASIS

Housing Authority of the Town of Delhi
Delhi, Louisiana

Balance Sheet - Statutory Basis
December 31, 1996

| | | Certificate Housing EW-22864 |
|--------------------------------------|-----------|------------------------------------|
| ASSETS | | |
| Cash - checking and on hand | \$ | 14,938 |
| Cash - savings and CDs | | 10,470 |
| Accounts receivable - HUD | | 5,098 |
| Fixed assets | | 8,244 |
| Total Assets | \$ | 38,750 |
| LIABILITIES AND SURPLUS | | |
| Accounts payable - HUD | \$ | 199 |
| Accounts payable - other | | 163 |
| Total Liabilities | \$ | 366 |
| Surplus | | 38,384 |
| Total Liabilities and Surplus | \$ | 38,750 |

Housing Authority of the Town of Belki
Belki, Louisiana

Statement of Income and Expenses - Statutory Basis
Certificate Housing Program
Year Ended December 31, 1998

ANNUAL CONTRIBUTIONS CONTRACT PW- 2280c

| | |
|---|---------------|
| Operating income | |
| Interest on operating reserve investments | |
| Total operating income | \$ |
| | <u>675</u> |
| HUD Contribution | \$ |
| | <u>88,482</u> |
| Operating expenses | \$ |
| Housing assistance payments | 64,769 |
| Administrative expenses | 13,805 |
| General expenses | 1,207 |
| Total operating expenses | \$ |
| | <u>79,851</u> |
| Net Income | \$ |
| | <u>1,274</u> |

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

**Analysis of Surplus - Statutory Basis
Year Ended December 31, 1986**

| | Current Housing ESC - 228th | Newport Housing 7th | Total |
|---|--------------------------------|------------------------|-----------------|
| Encumbrance of Surplus | | | |
| Balance per 12-31-85 audit | | | |
| Net income (Loss) FY: 12-31-86 | \$ 49,500 | \$ 1,154,000 | |
| ESC provision FY: 12-31-86 | 1,211 | | |
| HAF Project provision FY: 12-31-86 | 28,408 | | |
| | <u>79,119</u> | | |
| Balance at 12-31-86 | \$ 104,379 | \$ 1,154,000 | |
| Reserved Surplus | | | |
| Balance per 12-31-85 audit | | | |
| ESC provision FY: 12-31-86 | \$ (12,822) | \$ (11,844) | |
| | <u>(12,822)</u> | | |
| Balance at 12-31-86 | \$ (12,822) | \$ (11,844) | |
| Project account - individual HAF | | | |
| Balance per 12-31-85 audit | | | |
| HAF project provision FY: 12-31-86 | \$ (25,688) | | |
| | <u>(25,688)</u> | | |
| Balance at 12-31-86 | \$ (25,688) | | |
| Candidate contributions from HAF | | | |
| Balance per 12-31-85 audit | | | |
| Contribution FY: 12-31-86 | \$ (268,479) | \$ (1,562,244) | |
| Operating subsidy FY: 12-31-86 | (80,882) | | |
| | <u>(349,361)</u> | | |
| Balance at 12-31-86 | \$ (349,361) | \$ (1,562,244) | |
| Total Surplus | \$ (14,809) | \$ (11,690) | \$ 88,015 |
| | | | <u>\$ 241</u> |
| Unreported Adjustments | | | <u>\$8,369</u> |
| Total Surplus | | | <u>\$96,625</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, 1996**

Annual Contributions Contract PW-02866

| | | |
|--|----|-----------------|
| Maximum Contribution Available | | |
| Maximum annual contribution authorized | \$ | 36,000 |
| Project account, beginning of year | | |
| Total annual contributions available | \$ | <u>41,862</u> |
| | | |
| Annual Contributions Required | | |
| Housing assistance payments | \$ | 71,084 |
| Administrative fee | | 18,017 |
| Audit fee | | 400 |
| Start-to-Home fee | | 2,300 |
| Total fees required | \$ | <u>91,801</u> |
| Less project receipts other than annual contribution | | 0 |
| Total annual contribution required | \$ | <u>91,801</u> |
| | | |
| Project Account Change | | |
| New project account balance | \$ | <u>50,061</u> |
| | | |
| Annual Contribution Earned - lesser of Contribution available or required | \$ | <u>41,862</u> |
| | | |
| Operating Reserve Changes | | |
| Operating receipts | \$ | |
| Operating interest | | 571 |
| Annual contributions earned | | 41,862 |
| Total operating receipts | \$ | <u>42,433</u> |
| | | |
| Operating expenditures | \$ | |
| Operating expenses | | 79,881 |
| Total operating expenditures | \$ | <u>79,881</u> |
| Net operating receipts available - with Audit adjustments | \$ | <u>(37,448)</u> |
| | | |
| Provision for operating reserve | \$ | <u>(37,448)</u> |

NON-FINANCIAL SECTION

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Members: AICPA, University of CPA's

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

I 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, 1996, and have issued my report thereon dated June 18, 1997.

I conducted my 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 I 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, I performed tests of the authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose and combining financial statements was not to provide an opinion on overall compliance with such provisions. 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.

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.


Boston, Louisiana
June 18, 1997

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member - AICPA, Chartered by CPAAS

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

I 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, 1986, and have issued my report thereon dated June 18, 1987.

I 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 rates 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, 1986. The management of Housing Authority of the Town of Delhi is responsible for the authority's compliance with these requirements. My responsibility is to express an opinion on compliance with these requirements based on my audit. I conducted my 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 - 133, "Audits of State and Local Governments". These standards and OMB Circular A - 133 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above requirements. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 1986.

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.



Plaquemine, Louisiana
June 18, 1987

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA Chapter of CPA's

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

I 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, 1996, and have issued my report thereon dated June 18, 1997.

I 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, 1996:

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

My procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Requirements for Single Audits of State and Local Governments*. My 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, I do not express such an opinion.

With respect to the items tested, the results of those 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 my attention that caused me 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.



Baytown, Louisiana

June 18, 1997

WILLIAM D. EDWARDS

Chartered Public Accountant
A Professional Accounting Corporation
Member, AICPA, Society of CPAs

Independent Auditor's 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

I 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, 1996, and have issued my report thereon dated June 18, 1997.

I conducted my 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 I 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 recorded 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, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose and combining financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I raised certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose and combining financial statements.

My 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. I 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 amounts 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.

My 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, I 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.


William A. Gierke
Auditor, Louisiana
June 18, 1997

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of CPAs

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

I have audited the general purpose and combining financial statements of Housing Authority of the Town of Delhi for the year ended December 31, 1996, and have issued our report thereon dated June 18, 1997. I 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 18, 1997.

I conducted my 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, *Audit of State and Local Governments*. These standards and OMB Circular A - 128 require that I 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, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing my audits for the year ended December 31, 1996, I considered the authority's internal control structure in order to determine my 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 my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. I have addressed internal control structure policies and procedures relevant to my audit of the general purpose and combining financial statements in a separate report dated June 18, 1997.

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 an 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 accepted 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 noncompliance 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, I 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
- External financial reporting
- Payroll/personnel

General Requirements

- Political activity
- Drugs - Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable cost/account 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, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

During the year ended December 31, 1986, Housing Authority of the Town of Delhi expended 100 percent of its total federal financial assistance under major federal financial assistance programs.

I performed tests of controls, as required by OMB Circular A - 128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I 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 (but are applicable to each of the authority's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance). My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

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

My 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. I 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.

My 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, I believe none of the reportable conditions described above are material weaknesses.

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

**Schedule of Prior Audit Findings
as of and for the Year Ended December 31, 1996**

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

Housing Authority of the Town of Delhi
Delhi, Louisiana

Schedule of Findings
as of and for the Year Ended December 31, 1996

1. **Inadequate Segregation of Duties**
(Section 8 Rental Certificate Program - CDDA #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. Few duties are segregated 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, 1996

| | 1. | <u>DR</u> | <u>CR</u> |
|-----------------|----------|-----------|-----------|
| Accounting | 8 - 4178 | 84 | |
| Audit | | | 84 |
| | | | |
| | 2. | | |
| Investments | 1,152 | 99 | |
| Interest Income | 2,368 | | 99 |