

**Tallulah Housing Authority  
Tallulah, Louisiana**

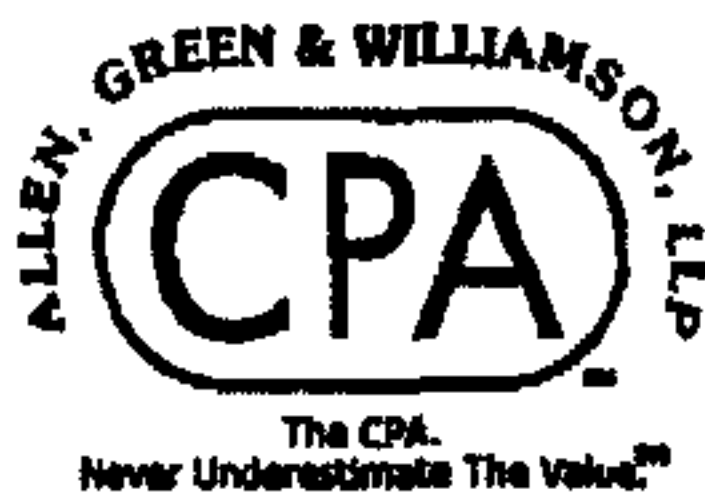
**Annual Financial Report  
As of and for the Year Ended  
December 31, 2003**

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

Release Date 5.12.04

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Tallulah Housing Authority  
Tallulah, Louisiana

We have audited the accompanying general-purpose financial statements of the Tallulah Housing Authority, a component unit of the City of Tallulah, as of and for the year ended December 31, 2003 and 2002, as listed in the foregoing table of contents. These general-purpose financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority as of December 31, 2003 and 2002, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2004, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplemental information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards which is required by U. S. Office of Management and Budget Circular No. 133, Audit of States, Local Governments, and Non-Profit Organizations, are presented for the purpose of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 19, 2004

**Tallahassee Housing Authority**

**GENERAL-PURPOSE FINANCIAL STATEMENTS**

**TALLULAH HOUSING AUTHORITY**  
**PROPRIETARY FUND TYPE- ENTERPRISE FUND**  
**Comparative Balance Sheets**  
**December 31, 2003 and 2002**

	Statement A	
	2003	2002
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 8,362	\$ 6,796
Receivable	0	0
Deposits	325	325
Total current assets	8,687	7,121
Restricted Assets - Cash	106,258	92,073
Property, plant and equipment (net of accumulated depreciation)	595,130	637,792
<b>TOTAL ASSETS</b>	710,075	736,986
<b>LIABILITIES AND FUND EQUITY</b>		
Current Liabilities (payable from current assets) accounts payable	7,677	1,526
Current Liabilities (payable from restricted assets)		
Housing revenue note payable	33,552	25,595
Security deposits	2,775	4,091
Total current liabilities (payable from restricted assets)	36,327	29,686
Long-term liabilities - housing revenue note payable	773,397	806,763
<b>Total Liabilities</b>	817,401	837,975
Fund Equity - retained earnings:		
Reserved for debt service	69,931	60,416
Unreserved and undesignated (deficit)	(177,257)	(161,405)
<b>Total Fund Equity</b>	(107,326)	(100,989)
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	\$ 710,075	\$ 736,986

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT.

**TALLULAH HOUSING AUTHORITY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**Comparative Statements of Revenues, Expenses,**  
**and Changes in Fund Equity**  
**For the Years Ended December 31, 2003 and 2002**

	<b>Statement B</b>	
	<b>2003</b>	<b>2002</b>
<b>OPERATING REVENUES</b>		
Rental income	\$ 37,937	\$ 37,391
Other operating revenues	97	759
Total operating revenues	38,034	38,150
<b>OPERATING EXPENSES</b>		
Administrative	54,117	51,646
Operating and maintenance	25,344	36,931
Utilities	4,748	4,432
Insurance	8,736	8,521
Depreciation	43,620	44,273
Tenants utility allowance	11,542	7,591
Other operating expense	1,119	1,693
Total operating expenses	149,226	155,087
OPERATING INCOME (LOSS)	(111,192)	(116,937)
<b>NON-OPERATING REVENUES (Expenses)</b>		
Federal Grants - Farmers Home Administration:		
Loan subsidy	78,290	69,011
Rental assistance	34,333	34,386
Insurance proceeds	0	0
Interest earned on deposits	676	1,039
Interest expense	(8,153)	(8,413)
Loss on fixed asset	(291)	0
Total non-operating revenues (expenses)	104,855	96,023
NET INCOME	(6,337)	(20,914)
FUND BALANCES - BEGINNING	(100,989)	(80,075)
FUND BALANCES - ENDING	\$ (107,326)	\$ (100,989)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT.

**TALLULAH HOUSING AUTHORITY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**Comparative Statements of Cash Flows**  
**For the Year Ended December 31, 2003 and 2002**

Statement C

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (111,192)	\$ (116,937)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by operating activities:		
Depreciation and amortization	43,620	44,273
Decrease (increase) in accounts receivable	6,923	4,448
Increase (decrease) in accounts payable	(1,316)	(1,944)
Increase in security deposits	0	525
Total adjustments	49,227	47,302
Net cash provided (used) for operating activities	(61,965)	(69,635)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(1,250)	(11,804)
Grant proceeds	78,290	69,844
Net cash provided (used) by capital and related financing activities	77,040	58,040
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interests earnings	676	1,039
Net increase (decrease) in cash and cash equivalents	15,751	(10,556)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	98,869	109,425
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 114,620	\$ 98,869

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**Tallahassee Housing Authority  
Notes to the Basic Financial Statements**

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**Tallulah Housing Authority**  
**Notes to the Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The Tallulah Housing Authority was created by ordinance of the City of Tallulah on March 11, 1976, as authorized by Louisiana Revised Statute 40:391. The Housing Authority is governed by a five-member board appointed by the City. Board members serve five-year terms without benefit of compensation.

**A. REPORTING ENTITY** As the governing authority of the city, for reporting purposes, the City of Tallulah is the financial reporting entity for the city. The financial reporting entity consists of (a) the primary government (city), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

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

Because the city appoints the governing body of the Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Housing Authority and do not present information on the city, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**B. FUNDS** Tallulah Housing Authority is organized and operated on a fund basis whereby a self-balancing set of accounts (enterprise fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**C. FIXED ASSETS** Fixed assets of the housing authority are included on the balance sheet of the enterprise fund and are recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 35 years.

**Tallahassee Housing Authority  
Notes to the Basic Financial Statements**

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING** Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The enterprise fund is reported in the accompanying financial statements on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

**E. CASH** Under state law, the Housing Authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Housing Authority may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2003, the Housing Authority had cash demand deposits (book balances) totaling \$114,620 including \$106,258 of restricted deposits. Restricted deposits include \$2,775 in resident security deposits and \$103,483 of reserve funds required by Farmers Home Administration.

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. Deposit balances (bank balances) at December 31, 2003, total \$118,980 and are fully secured by federal deposit insurance and pledged securities.

**F. VACATION AND SICK LEAVE** The Housing Authority has three employees. The Housing Authority has not adopted vacation or sick leave policies; therefore, there is no liability for compensated absences.

**G. RISK MANAGEMENT** The Housing Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; and injuries to employees. To handle such risk of loss, the Housing Authority maintains commercial insurance policies covering property, employee liability, and public officials liability. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2003.

**NOTE 2 - DEFICIT IN UNRESERVED RETAINED EARNINGS** At December 31, 2003, the Housing Authority has an accumulated deficit of \$107,326 in unreserved retained earnings. The Housing Authority's net loss for the year ended December 31, 2003, was \$6,337.

**NOTE 3 - FIXED ASSETS** The following presents the changes in fixed assets for the year ended December 31, 2003:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Land	\$ 38,008	\$ 0	\$ 0	\$ 38,008
Exhaustible capital assets				
Site improvements	69,257	0	1,467	67,790
Buildings	1,164,767	0	0	1,164,767
Furniture and equipment	96,583	1,250	0	97,833
Total	<u>1,368,615</u>	<u>1,250</u>	<u>1,467</u>	<u>1,368,398</u>
Less accumulated depreciation				
Site improvements	19,040	6,251	1,176	24,115
Buildings	629,410	33,279	0	662,689
Furniture and equipment	82,374	4,090	0	86,464
Total	<u>730,824</u>	<u>43,620</u>	<u>1,176</u>	<u>773,268</u>
Capital assets, net	<u>\$ 637,791</u>	<u>\$(42,370)</u>	<u>\$ 291</u>	<u>\$ 595,130</u>

**Tallahassee Housing Authority  
Notes to the Basic Financial Statements**

The following presents the changes in fixed assets for the year ended December 31, 2002:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Land	\$ 38,008	\$ 0	\$0	\$ 38,008
Exhaustible capital assets				
Site improvements	68,718	0	0	68,718
Buildings	1,164,767	0	0	1,164,767
Furniture and equipment	<u>85,318</u>	<u>11,804</u>	<u>0</u>	<u>97,122</u>
Total	<u>1,356,811</u>	<u>11,804</u>	<u>0</u>	<u>1,368,615</u>
Less accumulated depreciation				
Site improvements	12,505	6,535	0	19,040
Buildings	596,130	33,280	0	629,410
Furniture and equipment	<u>77,916</u>	<u>4,458</u>	<u>0</u>	<u>82,374</u>
Total	<u>686,551</u>	<u>44,273</u>	<u>0</u>	<u>730,824</u>
Capital assets, net	<u>\$ 670,260</u>	<u>\$(32,469)</u>	<u>\$0</u>	<u>\$ 637,791</u>

**NOTE 4 - PENSION PLAN** The employees of Tallahassee Housing Authority are members of the Social Security System. In addition to the employee's contributions withheld at 7.65 percent of gross salary, the Housing Authority contributes an equal amount to the Social Security System. The Housing Authority does not guarantee the benefits granted by the Social Security System.

**NOTE 5 - LONG-TERM DEBT** The long-term liability at December 31, 2003, represents a housing revenue note payable to the United States Department of Agriculture, Rural Development Administration under the Rural Rental Housing Loan Program (CFDA 10.415). The note is due in monthly installments of \$2,796 through November 1, 2031, with an annual interest rate of 11.5 percent.

The following is a summary of long-term debt transactions for the year ended December 31:

	<u>2003</u>	<u>2002</u>
Note payable at January 1	\$832,358	\$857,497
Additions	0	0
Deductions	<u>25,409</u>	<u>25,139</u>
Note payable at December 31	<u>\$806,949</u>	<u>\$832,358</u>

**Tallahassee Housing Authority**  
**Notes to the Basic Financial Statements**

The annual requirements to amortize long-term debt outstanding at December 31, 2003, including interest of \$114,055 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 25,840	\$ 7,712	\$ 33,552
2005	26,088	7,464	33,552
2006	26,338	7,214	33,552
2007	26,590	6,962	33,552
2008	26,845	6,707	33,552
2009-2013	138,135	29,625	167,760
2014-2018	144,882	22,878	167,760
2019-2023	151,959	15,801	167,760
2024-2028	159,381	8,379	167,760
2029-2031	<u>80,891</u>	<u>1,313</u>	<u>82,204</u>
Total	<u>\$806,949</u>	<u>\$114,055</u>	<u>\$921,004</u>

The Housing Authority has also entered into an interest credit and rental assistance agreement with FmHA under which the Housing Authority earns a credit against the interest payable on the mortgage note. The credit may result in an effective interest rate as low as 1%. FmHA may terminate the interest credit agreement if it is determined that no subsidy is necessary or if the Housing Authority is determined to be in noncompliance with the loan agreement or other applicable FmHA rules or regulations.

**NOTE 6 - RESERVED FUND BALANCE** As discussed in Note 5, during 1981 the Housing Authority received a \$1,286,000 loan from Farmers Home Administration (CFDA #10.415) for the construction of housing accommodations for persons of low income. The loan agreement requires the establishment of a reserve fund. The Housing Authority must transfer into this fund an amount not less than \$11,255 annually, until there has been accumulated an amount of \$112,554. At December 31, 2003, the Housing Authority had set aside a total of \$103,483 to meet its reserve requirements and a liability of \$33,552 is reflected as current liabilities on the balance sheet leaving a balance of \$69,931 reserved fund balance..

**NOTE 7 - LITIGATION AND CLAIMS** At December 31, 2003, the Housing Authority was not involved in any litigation, nor was it aware of any unasserted claims.

**NOTE 8 - RENTAL ASSISTANCE AGREEMENT** The Housing Authority has entered into a contract with FmHA that provides rental assistance payments on behalf of eligible lower-income persons or families. Under this contract the Housing Authority agreed to rent only to eligible persons or families at FmHA-approved rates and to adhere to certain rules of operation. FmHA may, at its option, terminate the contract if the Housing Authority is determined to be in noncompliance with the FmHA loan agreement or other applicable FmHA rules or regulations. FmHA may also reduce the number of units covered by the contract should it determine that there is a lack of eligible tenants in the area. The contract automatically expires upon the total disbursement of the contract's original obligated amount.

**Tallahassee Housing Authority**

**SUPPLEMENTAL INFORMATION**



**Tallulah Housing Authority  
Schedule of Compensation Paid Board Members  
For the Year Ended December 31, 2003**

**Schedule 1**

The members of the Board of Commissioners serve without compensation. The members of the Board of Commissioners are as follows:

Anthony Bridgewater  
P. O. Box 1602  
Tallulah, LA 71282  
(318) 574-0811

Gene Cox  
100 Magnolia Street  
Tallulah, LA 71282  
(318) 574-1941

Lonnie Curry  
121 Chicago Street  
Tallulah, LA 71282  
(318) 574-4706

Naomi Wright  
1005 W. Askew Street  
Tallulah, LA 71282  
(318) 574-5525

Hazel Suluki  
1019 N. Madison Street  
Tallulah, LA 71282  
(318) 574-3812

**TALLULAH HOUSING AUTHORITY**  
**Schedule of Reserve Funding**  
**For the Year Ended December 31, 2003**

	<b>Schedule 2</b>
Required 12/31/2002	\$ 102,482
Deposit requirement for 2003	<u>11,255</u>
Required at 12/31/2003	113,737
Deposit balance at 12/31/2003	<u>103,483</u>
Excess/(Deficiency) at 12/31/2003	<u>(10,254)</u>
<b>Change In Deposit Balance:</b>	
Balance 12/31/2002	86,011
Void check for purchase of fixed assets	5,549
Transfer from operations and maintenance account	11,256
Interest	<u>667</u>
Balance 12/31/2003	<u>\$ 103,483</u>



**Tallahassee Housing Authority  
Schedule of Aging Accounts Payable  
For the Year Ended December 31, 2003**

**Schedule 3**

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Aging</u>
Advertising	\$ 141	30 days
Repairs and maintenance	28	30 days
Utility expense	65	30 days
Uniform expense	33	30 days
Salary and related benefits	<u>7,410</u>	30 days
 Total	 <u>\$7,677</u>	

**Tallahassee Housing Authority  
Schedule of Rental Information  
For the Year Ended December 31, 2003**

**Schedule 4**

<u>Size of Unit</u>	<u>Basic Note Rent</u>	<u>Note Rent Rate</u>	<u>Number of Units</u>	<u>Number Occupied at Year End</u>
4-Bedroom	450	842	3	3
3-Bedroom	400	738	4	3
2-Bedroom	350	615	12	8
1-Bedroom	305	533	20	18

Occupancy rate at the end of the year, December 31, 2003 82%

**TALLULAH HOUSING AUTHORITY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**Schedule of Revenues, Expenses, and**  
**Changes in Fund Equity - Budget and Actual**  
**For the Year Ended December, 31 2003**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Schedule 5</b>			
<b>OPERATING REVENUES</b>			
Rental income	\$ 46,000	\$ 37,937	\$ (8,063)
Laundry services	600	97	(503)
<b>Total operating revenues</b>	<u>46,600</u>	<u>38,034</u>	<u>(8,566)</u>
<b>OPERATING EXPENSES</b>			
Accounting and legal	3,400	3,312	88
Operating supplies	100	48	52
Garbage removal	2,850	3,787	(937)
Maintenance of grounds	1,500	4,463	(2,963)
Insurance	8,700	8,761	939
Payroll taxes	5,000	3,640	1,360
Repairs and maintenance	21,750	16,347	5,403
Salary	49,650	45,026	4,624
Telephone	600	973	(373)
Utilities	3,710	3,775	(65)
Auto and travel	900	2,066	(1,166)
Depreciation	0	43,620	(43,620)
Other operating expenses	650	13,408	(12,758)
<b>Total operating expenses</b>	<u>99,810</u>	<u>149,226</u>	<u>(49,416)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(53,210)</u>	<u>(111,192)</u>	<u>(57,982)</u>
<b>NON-OPERATING REVENUES (Expenses)</b>			
<b>Federal grants - Farmers Home Administration:</b>			
Loan subsidy	33,000	34,333	1,333
Rental assistance	71,000	78,290	7,290
Interest earned on deposits	800	676	(124)
Interest expense	0	(8,153)	(8,153)
Transfer to Reserve Account	(11,255)	0	11,255
Loss on fixed assets	0	(291)	(291)
<b>Total non-operating revenues (expenses)</b>	<u>93,545</u>	<u>104,855</u>	<u>11,310</u>
<b>NET INCOME</b>	40,335	(6,337)	(46,672)
<b>FUND BALANCES - BEGINNING</b>	<u>53,500</u>	<u>(100,989)</u>	<u>(154,489)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 93,835</u>	<u>\$ (107,326)</u>	<u>\$ (201,161)</u>

**TALLULAH HOUSING AUTHORITY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**Proposed Budget**  
**For the Year Ended December, 31 2004**

	<b>Schedule 6</b>
<b>OPERATING REVENUES</b>	
Rental income	\$ 150,000
Other operating revenues	<u>1,400</u>
Total operating revenues	<u>151,400</u>
<b>OPERATING EXPENSES</b>	
Accounting and legal	20,200
Operating supplies	100
Garbage removal	2,850
Maintenance of grounds	1,500
Insurance	12,550
Payroll taxes	5,000
Repairs and maintenance	21,750
Salary	30,000
Telephone	600
Utilities	3,710
Other operating expenses	<u>1,550</u>
Total operating expenses	<u>99,810</u>
OPERATING INCOME (LOSS)	<u>51,590</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers out	<u>(11,255)</u>
Total other financing sources (uses)	<u>(11,255)</u>
<b>NET INCOME</b>	40,335
<b>FUND BALANCES - BEGINNING</b>	<u>53,500</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 93,835</u>

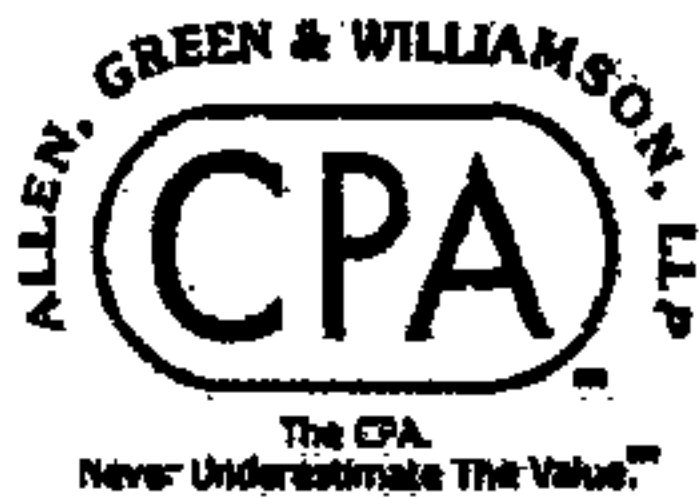
**Tallahassee Housing Authority  
Schedule of Insurance Coverage  
As of December 31, 2003**

Schedule 7

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Deductible</u>	<u>Expiration Date</u>
Fire and extended coverage	Various	Various	\$1,520,000	\$5,000 per building, occurrence per housing authority	4/01/04
General liability	Audubon Insurance	CGL419921	2,000,000	NONE	4/01/04
Automobile liability	Audubon Insurance	CGL419921	1,000,000	NONE	4/01/04
Public officials	General Star Indemnity	IYA811765C	1,000,000	\$5,000 per occurrence	9/01/04

NOTE: Excess insurance above the self-insured retention(s) maintained by the trust is provided by the following companies:

Coregis Insurance Company	Policy Number 651020391
Westchester Insurance Company	Policy Number D25870994
Axis/Sheffield Insurance Company	Policy Number EAF101777
Royal Insurance Company	Policy Number R2HD328447



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Tim Green, CPA

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1963 - 2000

## 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  
Tallulah Housing Authority  
Tallulah, Louisiana

We have audited the financial statements of the Tallulah Housing Authority, a component unit of the City of Tallulah, as of and for the year ended December 31, 2003 and 2002, and have issued our report thereon dated March 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-F1 and 03-F2.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions as identified as items 03-F3, 03-F4 and 03-F5 in the Schedule of Findings and Questioned Costs. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Housing Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

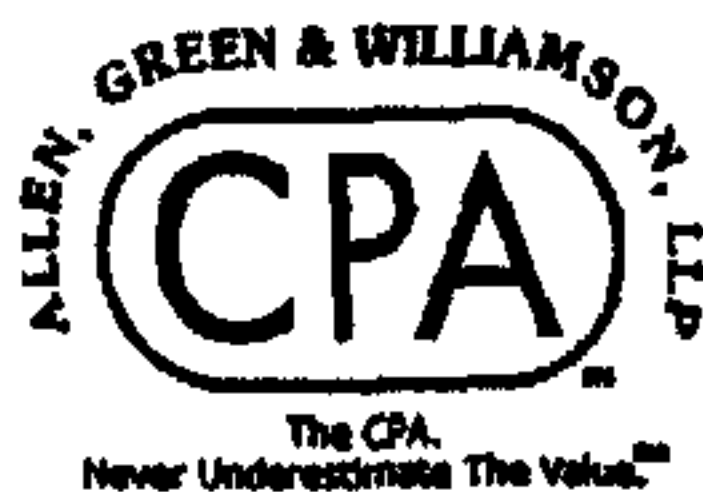
*allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 19, 2004





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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular No. A-133**

Board of Commissioners  
Tallulah Housing Authority  
Tallulah, Louisiana

### **Compliance**

We have audited the compliance of the Tallulah Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular No. A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; and OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular No. A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 03-F6.

### **Internal Control Over Compliance**

The management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular No. A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Housing Authority, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 19, 2004

**Tallulah Housing Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2003**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass Through Grantor No.</u>	<u>Expenditures</u>
<b>CASH FEDERAL AWARDS</b>			
United States Department of Agriculture			
Farmers Home Administration			
Direct program - Rural Rental Housing Loans	10.415	N/A	<u>\$112,623</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><b>\$112,623</b></u>

**Footnote:**

1. This schedule was prepared on the modified accrual basis of accounting.
2. Not included in the above schedule is \$806,949 in an outstanding long-term housing revenue note payable at December 31, 2003. The note is payable to the Rural Development Administration under CFDA 10.415.

**Tallulah Housing Authority**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2003**

**NOTE 1 - GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority. The Housing Authority's reporting entity is defined in Note 1 to the Housing Authority's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Housing Authority's basic financial statements.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS** Federal awards revenues are reported in the Housing Authority's financial statements as follows:

	<u>Federal Sources</u>
Rural Rental Housing Loans, CFDA# 10.415	<u>\$112,623</u>

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America. -

**NOTE 5 - FEDERAL AWARDS** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with PIH98-14 "federal awards" do not include operating income from rents or investments (or other non-federal sources). The entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

**Tallahassee Housing Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2003**

**PART I - Summary of the Auditors' Results**

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were three reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America.

The reportable conditions were not considered to be material weaknesses.

- iii. There were two instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

**Audit of Federal Awards**

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed an audit finding which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal programs are:  
  
CFDA #10.415      Rural Rental Housing Loans
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

**Tallulah Housing Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2003**

**Part II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:                    03-F1                    Related Parties Transaction**

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

**Criteria or specific requirement:** The Louisiana State Code of Ethics states that an entity cannot conduct business with related parties.

**Condition found:** In testing expenditures, three exceptions were noted where the Housing Authority purchased items from Western Auto which is owned by a current board member. The total of purchases from Western Auto was \$210 for the year.

**Possible asserted effect (cause and effect):**

**Cause:** The Executive Director was unaware of the ethics law which states that conducting business with related parties is not allowed.

**Effect:** The Housing Authority purchased items from a business owned by a board member.

**Recommendations to prevent future occurrences:** The Housing Authority should be aware of any related parties when conducting business.

**Reference # and title:                    03-F2                    Independent Contractor vs Employee**

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

**Criteria or specific requirement:** All individuals as defined by IRS laws and regulations should be included in the payroll process.

**Condition found:** Recently, the Internal Revenue Service began a payroll audit of the City of Tallulah who processes payroll for the Housing Authority. One issue is whether payments to certain vendors should be considered independent contractors versus an employee.

**Possible asserted effect (cause and effect):**

**Cause:** It was more expedient to pay the individual as an independent contractor versus an employee.

**Effect:** Potentially some payments made should be treated as employees rather than independent contractor.

**Recommendations to prevent future occurrences:** The Housing Authority should review all vendor payments to ensure that correct information regarding whether an individual should be paid as independent contractor or as an employee is given to the City prior to processing any payments to individuals.

**Tallahassee Housing Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2003**

**Part II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:            03-F3                            Personnel Files Incomplete**

**Entity-wide or program/department specific:** This finding is specific to payroll.

**Criteria or specific requirement:** Personnel files should contain some form of proof of existence such as I-9, copy of driver's license, social security or birth certificate.

**Condition found:** In examining the personnel files for the three employees of the Housing Authority, all three were found to have no proof of existence of employee.

**Possible asserted effect (cause and effect):**

**Cause:** The Housing Authority was unaware of the need to maintain forms of identification in personnel files.

**Effect:** There is no proof of existence maintained in personnel files.

**Recommendations to prevent future occurrences:** The Housing Authority should have completed forms for proof of existence (I-9s) in personnel file for each employee.

**Reference # and title:            03-F4                            Travel Expense and Reimbursement**

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

**Criteria or specific requirement:** Travel expense should be documented by the retention of actual receipts for expenses which are not paid as per diem, such as hotel expenses.

**Condition found:** In testing 5 travel expenditures, none were found to have receipts for hotel expenses.

**Possible asserted effect (cause and effect):**

**Cause:** The Housing Authority does not have an approved travel policy stating the procedure by which travel expense are to be paid or documentation needed or which sets the per diem rate of reimbursement.

**Effect:** The agency does not retain actual receipts for travel expenses not paid as per diem.

**Recommendations to prevent future occurrences:** The Housing Authority should adopt a travel policy which states requirements to be followed and documentation required for all travel reimbursements.

**Tallulah Housing Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2003**

**Part II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:            03-F5                            Untimely Cash Deposit**

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

**Criteria or specific requirement: Good cash management requires that cash receipts be deposited on a timely basis, normally within three business days.**

**Condition found: In testing cash receipts, it was noted that eight of ten cash deposits tested were not deposited on a timely basis (within three business days).**

**Possible asserted effect (cause and effect):**

**Cause: The Housing Authority did not make cash deposits within three days of receiving funds.**

**Effect: Cash deposits were not made on a timely basis.**

**Recommendations to prevent future occurrences: The Housing Authority should ensure that all cash receipts are deposited on a timely basis (within three business days).**

**Tallahassee Housing Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2003**

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

**Reference # and title:                    03-F6                    Fidelity Bond on Employees**

**Federal program and specific Federal award identification:**

CFDA Title: Rural Rent Housing Loans and CFDA #10.415  
Federal Agency: Department of Agriculture, Farmer's Home Administration  
Federal Award Year: 2003

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

**Criteria or specific requirement: Fidelity bonds should be enforced on all employees.**

**Condition found: While examining insurance coverage, it was noted that the Housing Authority did not have a fidelity bond on the three persons currently employed.**

**Proper perspective for judging the prevalence and consequences: Grantor requires the Housing Authority to have fidelity bonds on employees.**

**Possible asserted effect (cause and effect):**

**Cause: The Executive Director was unaware of compliance regulation which states fidelity bonds should be in force on all employees.**

**Effect: The Housing Authority has not covered the three employees with fidelity bonds.**

**Recommendations to prevent future occurrences: The Housing Authority should immediately purchase fidelity bond coverage for all employees.**



## **Tallulah Housing Authority**

### **Other Information**

The information in this section concerns management's actions or intentions concerning prior- and current-year audit findings and is required by U. S. Office of Management and Budget (OMB) Circular No. A-133. This information has been prepared by the management of the Tallulah Housing Authority. Management accepts full responsibility, as required by OMB Circular No. A-133, for the accuracy of the information. We have not audited *this information except as required by OMB Circular A-133 Section 500(e)*, and accordingly, no opinion is expressed. Section 500(e) requires the auditor to follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee, and report, as a current-year audit finding when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.

**Tallahassee Housing Authority  
Summary Schedule of Prior-Year Audit Findings**

There were no audit findings reported in the audit for the year ended December 31, 2002.

**Tallulah Housing Authority  
Corrective Action Plan for Current-Year Findings and Questioned Costs  
December 31, 2003**

**Reference # and title:**            **03-F1**        **Related Parties**

**Condition:** The Louisiana State Code of Ethics states that an entity cannot conduct business with related parties..

In testing expenditures, three exceptions were noted where the Housing Authority purchased items from Western Auto which is owned by a current board member. The total of purchases from Western Auto was \$210 for the year.

**Corrective action planned:** In the future, the Housing Authority will not conduct business with related parties.

**Person responsible for corrective action:**

Mr. Percy S. Livingston, Executive Director  
Tallulah Housing Authority  
204 N Cedar Street  
Tallulah, Louisiana 71282

Telephone: (318) 574-0964  
Fax: (318) 574-2773

**Anticipated completion date:** Immediately.

**Reference # and title:**            **03-F2**        **Independent Contractor Verus Employee**

**Condition:** All individuals as defined by IRS laws and regulations should be included in the payroll process.

Recently, the Internal Revenue Service began a payroll audit of the City of Tallulah who processes payroll for the Housing Authority. One issue is whether payments to certain vendors should be considered independent contractors versus an employee.

**Corrective action planned:** The Housing Authority will ensure all individuals defined by IRS laws and regulations regarding payroll are included in the payroll process.

**Person responsible for corrective action:**

Mr. Percy S. Livingston, Executive Director  
Tallulah Housing Authority  
204 N Cedar Street  
Tallulah, Louisiana 71282

Telephone: (318) 574-0964  
Fax: (318) 574-2773

**Anticipated completion date:** Immediately.

**Reference # and title:**            **03-F3**        **Personnel Files Incomplete**

**Condition:** Personnel files should contain some form of proof of existence such as I-9, copy of driver's license, social security card or birth certificate.

In examining the personnel files for the three employees of the Housing Authority, all three were found to have no proof of existence of employee.

**Tallulah Housing Authority**  
**Corrective Action Plan for Current-Year Findings and Questioned Costs**  
**December 31, 2003**

**Corrective action planned:** The Housing Authority will update personnel files to include documentation of proof of existence for current employees. In the future, this information will be required upon employment of an individual with the Housing Authority.

**Person responsible for corrective action:**

Mr. Percy S. Livingston, Executive Director  
Tallulah Housing Authority  
204 N Cedar Street  
Tallulah, Louisiana 71282

Telephone: (318) 574-0964  
Fax: (318) 574-2773

**Anticipated completion date:** Immediately.

**Reference # and title:**            03-F4            Travel Expense and Reimbursement

**Condition:** Travel expense should be documented by the retention of actual receipts for expenses which are not paid per diem, such as hotel expenses.

In testing five expenditures for travel, none were found to have receipts for hotel expenses.

**Corrective action planned:** The Housing Authority will adopt a travel policy to ensure consistency in the payment of travel expenses and, when necessary, retain original receipts for reimbursed expenses.

**Person responsible for corrective action:**

Mr. Percy S. Livingston, Executive Director  
Tallulah Housing Authority  
204 N Cedar Street  
Tallulah, Louisiana 71282

Telephone: (318) 574-0964  
Fax: (318) 574-2773

**Anticipated completion date:** Immediately.

**Reference # and title:**            03-F5            Untimely Cash Deposits

**Condition:** Good cash management requires that cash receipts be deposited on a timely basis, normally within three banking days.

In testing cash receipts, eight out of ten cash deposits were not deposited on a timely basis (within three business days).

**Corrective action planned:** The Housing Authority will establish procedures to ensure that deposits are deposited on a timely basis (within three business days).

**Tallulah Housing Authority  
Corrective Action Plan for Current-Year Findings and Questioned Costs  
December 31, 2003**

**Person responsible for corrective action:**

Mr. Percy S. Livingston, Executive Director  
Tallulah Housing Authority  
204 N Cedar Street  
Tallulah, Louisiana 71282

Telephone: (318) 574-0964  
Fax: (318) 574-2773

**Anticipated completion date:** Immediately.

**Reference # and title:**            **03-F6**        **Fidelity Bond on Employees**

**Condition:** Fidelity bonds should be enforce on all employees.

While examining insurance coverage, it was noted that the Housing Authority did not have a fidelity bond on the three individuals currently employed.

**Corrective action planned:** The Housing Authority will carry a fidelity bond on all employees in the future.

**Person responsible for corrective action:**

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Tallulah Housing Authority  
204 N Cedar Street  
Tallulah, Louisiana 71282

Telephone: (318) 574-0964  
Fax: (318) 574-2773

**Anticipated completion date:** Immediately.