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**HOUSING AUTHORITY OF THE
TOWN OF YOUNGSVILLE**

Program Number FW-1172

Financial Report
Year Ended September 30, 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 6-23-04

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Housing Authority of the Town of Youngsville
Youngsville, Louisiana

We have audited the accompanying financial statements of the Housing Authority of the Town of Youngsville (a nonprofit organization), as of and for the year ended, September 30, 2003. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. 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.

The expenses reflected on the statement of revenues, expenses and changes in net assets include transactions which did not evidence appropriate approval, lacked statutory authority, or did not have adequate documentation supporting a business purpose. Of the \$102,047 of total expenses, known and projected audit differences for such transactions amount to \$33,021 or 32.4 percent.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position, results of operation or cash flows of the Housing Authority of the Town of Youngsville for the year then ended.

In accordance, with Government Auditing Standards, we have also issued our report dated May 14, 2004 on our consideration of the Housing Authority of the Town of Youngsville's internal control over financial reporting and 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.

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Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information and other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Housing Authority of the Town of Youngsville. Such information has been subjected to the auditing procedures applied in the audit of the financial statements. For reasons stated in the third paragraph, we expressed an opinion that the financial statements of the Housing Authority of the Town of Youngsville do not present fairly the financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. Therefore we do not express an opinion on the supplemental information and other supplemental information listed in the table of contents.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 14, 2004

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Statement of Net Assets
September 30, 2003

ASSETS

Current assets:	
Cash	\$ 39,874
Receivables	
Tenant/member	622
Nondwelling rent	163
Prepaid expenses and other assets	<u>6,237</u>
Total current assets	<u>46,896</u>
Restricted assets:	
Tenant deposits held in trust	<u>1,375</u>
Total restricted assets	<u>1,375</u>
Property and equipment:	
Land	19,760
Buildings	601,559
Building improvements	58,785
Construction in progress	<u>66,027</u>
Total fixed assets	746,131
Less: Accumulated depreciation	<u>(595,666)</u>
Net fixed assets	<u>150,465</u>
Total assets	<u>\$ 198,736</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 550
Accrued liabilities	<u>2,885</u>
Total current liabilities	<u>3,435</u>
Other liabilities:	
Tenant deposits held in trust	<u>1,375</u>
Net assets:	
Net unrestricted assets	<u>193,926</u>
Total liabilities and net assets	<u>\$ 198,736</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Statements of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2003

Revenues	
Rent revenue	\$ 26,784
PHA operating subsidy	28,522
Miscellaneous	<u>2,743</u>
Total revenue	<u>58,049</u>
Expenses:	
Administrative	35,259
Depreciation	34,076
Operating and maintenance	13,571
Taxes and insurance	18,508
Utilities	<u>633</u>
Total expenses	<u>102,047</u>
Operating loss	<u>(43,998)</u>
Non-operating revenue	
Capital grant	4,591
Interest income	<u>353</u>
Total non-operating revenue	<u>4,944</u>
Net loss	(39,054)
Net assets, beginning of year	230,980
Prior period adjustments, equity transfers, corrections of errors	<u>2,000</u>
Net assets, end of year	<u>\$ 193,926</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Statement of Cash Flows
Year Ended September 30, 2003

OPERATING ACTIVITIES:

Revenue collected	\$ 61,431
Paid to suppliers and employees	<u>(69,049)</u>
Net cash used in operating activities	<u>(7,618)</u>

CAPITAL AND RELATED FINANCING ACTIVITIES:

Grant proceeds	4,591
Acquisition/construction of capital assets	<u>(4,591)</u>
Net cash used in capital and related financing activities	<u>-</u>

INVESTING ACTIVITIES:

Interest income	<u>353</u>
Net decrease in cash	(7,265)

Cash and cash equivalents, beginning	<u>48,514</u>
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Cash and cash equivalents, ending	<u>\$ 41,249</u>
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Reconciliation of income from operations to net cash provided by operating activities:

Operating loss	\$ (43,998)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -	
Depreciation	34,076
Increase or decrease in:	
Accounts receivable	3,382
Prepaid expenses and other assets	(1,749)
Accounts payable	(2,014)
Accrued expenses	2,885
Tenant deposits held in trust	<u>(200)</u>
Net cash used in operating activities	<u>\$ (7,618)</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Organization and Operations

The Authority is a 20-unit apartment complex for persons of low income located in Youngsville, Louisiana. The Authority was organized for the purpose of providing decent, safe and sanitary dwelling for persons of low income.

Legal title to the Authority is held by Housing Authority of the Town of Youngsville, a non-profit corporation. The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the Town of Youngsville, Louisiana. Each member serves a four-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U. S. Department of Housing and Urban Development (HUD). The annual contributions contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities for eligible individuals.

B. Reporting Entity

General accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of September 30, 2003, and for the fiscal then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

C. Fund Accounting

The 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 (a) the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Notes to Financial Statements (continued)

D. Basis of Accounting

The financial statements of the Housing Authority of the Town of Youngsville have been prepared in conformity with accounting principles generally accepted in the United States of America and, as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in preparing financial statements and related disclosures unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

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

E. Income Taxes

Housing Authority of the Town of Youngsville is a non-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and is an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

G. Fixed Assets and Depreciation

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. The Authority has a policy in place which requires the capitalization of all asset purchases of \$5,000 or greater.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Notes to Financial Statements (continued)

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 years
Building Improvements	10 years
Equipment	3 - 7 years
Site Improvements	20 years
Non-dwelling Structures	20 years

The recognition of depreciation begins upon placement of the asset into useful operation.

H. Distributions

The Authority's regulatory agreement with HUD stipulates, among other things, that the Authority will not make distributions of assets or income to any of its officers or directors.

I. Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased.

J. Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt an annual budget for the Low-Rent Housing Program. An annual budget is not required for modernization grants as their budget is approved for the length of the project.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Notes to Financial Statements (continued)

K. Retirement Plan

The Authority provides a Simplified Employee Pension whereby the employer agrees to provide discretionary contributions to the individual retirement account of eligible employees. During the year, the authority contributed eight percent (8%), or \$1,273, to the IRA.

L. Compensated Absences

Employees may accumulate an unlimited number of annual and sick leave hours. Depending on their length of service, employees receive payment for up to 300 hours annual leave hours upon termination or retirement at their then current rate of pay. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

M. Change in Accounting Principle

Effective October 1, 2002, the Housing Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet or statement of net assets, a statement of revenues, expenditures and changes in net assets, and a statement of cash flows utilizing the direct method of presentation. The statement requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – constraints placed on net assets use imposed by external creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – net assets that do not meet the criteria for “invested in capital assets, net of related debt” or “restricted”.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Notes to Financial Statements (continued)

(2) Cash and Certificates of Deposits

Under state law, the 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 Authority may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2003, the Authority had cash and interest-bearing deposits (book balances) totaling \$41,249.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2003, the Authority had deposit balances (bank balances) totaling \$43,249. These deposit balances were fully secured by federal deposit insurance.

(3) Property and Equipment

A summary of property and equipment at September 30, 2003, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 19,760		\$ -	\$ 19,760
Buildings	601,559	-	-	601,559
Leasehold improvements	58,785	-	-	58,785
Construction in Progress	<u>61,436</u>	<u>4,591</u>	<u>-</u>	<u>66,027</u>
Total, as restated	<u>\$ 741,540</u>	<u>\$ 4,591</u>	<u>\$ -</u>	<u>\$ 746,131</u>
Accumulated depreciation	<u>\$ 561,590</u>	<u>\$ 34,076</u>	<u>\$ -</u>	<u>\$ 595,666</u>

(4) Net Assets

None of the Authority's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Notes to Financial Statements (continued)

(5) Rent Increases

Under the regulatory agreement, the Authority may not increase rents charged to tenants without HUD approval. The monthly rent is based on the household's income.

(6) Functional Allocation of Expenses

Expenditures incurred in connection with Authority operations and expenditures made for corporate (mortgagor entity) purposes have been summarized on a functional basis in the statement of activities.

(7) Current Vulnerability Due to Certain Concentrations

The Authority's major asset is a 20-unit apartment complex. The Authority's operations are concentrated in the multifamily real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

(8) Prior Period Adjustments

Subsequent to the release of the prior financial statements, there was a transfer to CFP from the Low Rent fund in the amount of \$5,197, and an additional adjustment of \$2,000 in the CFP program to capitalize fees and costs on a modernization program. The changes in net assets are restated as follows:

	Low Rent	CFP
Net assets, September 30, 2002	176,741	54,239
Adjustments	(5,197)	7,197
Net assets, September 30, 2002 as restated	171,544	61,436

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development:		
Low Income Housing Operating Subsidy	14.850	\$ 28,522
Public Housing Capital Fund Program	14.872	<u>4,591</u>
		<u>\$ 33,113</u>

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Supplemental Data Required By HUD
September 30, 2003

COMPUTATION OF SURPLUS CASH - ANNUAL

Cash	\$ 41,249
Current obligations:	
Accounts payable due within 30 days	550
Accrued expenses	2,885
Tenant security deposits	<u>1,375</u>
Total current obligations	<u>4,810</u>
Surplus cash (deficiency)	<u>\$ 36,439</u>

(continued)

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Supplemental Data Required By HUD (Continued)
September 30, 2003

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 19,760		\$ -	\$ 19,760
Buildings	601,559	-	-	601,559
Leasehold improvements	58,785	-	-	58,785
Construction in Progress	<u>61,436</u>	<u>4,591</u>	<u>-</u>	<u>66,027</u>
Total, as restated	<u>\$ 741,540</u>	<u>\$ 4,591</u>	<u>\$ -</u>	<u>\$ 746,131</u>
Accumulated depreciation	<u>\$ 561,590</u>	<u>\$ 34,076</u>	<u>\$ -</u>	<u>\$ 595,666</u>

OTHER SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Combining Statement of Net Assets
September 30, 2003

	Low Rent	CFP	Total
ASSETS			
Current assets:			
Cash	\$ 39,874	\$ -	\$ 39,874
Receivables			
Tenant, net of allowance	622	-	622
Other	163	-	163
Prepaid expenses and other assets	6,237	-	6,237
Total current assets	46,896	-	46,896
Restricted assets:			
Tenant deposits	1,375	-	1,375
Total restricted assets	1,375	-	1,375
Property and equipment:			
Land	19,760	-	19,760
Buildings	601,559	-	601,559
Leasehold improvements	58,785	-	58,785
Construction in progress	-	66,027	66,027
Total fixed assets	680,104	66,027	746,131
Less: accumulated depreciation	(595,666)	-	(595,666)
Net fixed assets	84,438	66,027	150,465
Total assets	\$ 132,709	\$ 66,027	\$ 198,736
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 550	\$ -	\$ 550
Payment in lieu of taxes	2,339	-	2,339
Miscellaneous current liabilities	546	-	546
Total current liabilities	3,435	-	3,435
Other liabilities:			
Tenant deposits held in trust	1,375	-	1,375
Net assets:			
Net unrestricted assets	127,899	66,027	193,926
Total liabilities and net assets	\$ 132,709	\$ 66,027	\$ 198,736

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Statements of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2003

	<u>Low Rent</u>	<u>CFP</u>	<u>Total</u>
UNRESTRICTED ASSETS:			
Revenues -			
Rent revenue - gross potential	\$ 26,784	\$ -	\$ 26,784
PHA grant revenue	28,522	4,591	33,113
Total revenue	<u>55,306</u>	<u>4,591</u>	<u>59,897</u>
Revenue from investments-residual receipts	353	-	353
Total financial revenue	<u>353</u>	<u>-</u>	<u>353</u>
Miscellaneous revenue	2,743	-	2,743
Total revenue	<u>58,402</u>	<u>4,591</u>	<u>62,993</u>
EXPENSES:			
Conventions and meetings	1,500	-	1,500
Accounting services	3,700	-	3,700
Office salaries	12,780	-	12,780
Audit expense	3,919	-	3,919
Miscellaneous administrative expenses	13,360	-	13,360
Total administrative expenses	<u>35,259</u>	<u>-</u>	<u>35,259</u>
Electricity	430	-	430
Gas	203	-	203
Total utilities expense	<u>633</u>	<u>-</u>	<u>633</u>
Supplies	4,668	-	4,668
Contracts	8,903	-	8,903
Total operating and maintenance expenses	<u>13,571</u>	<u>-</u>	<u>13,571</u>
Payment in lieu of taxes	2,615	-	2,615
Property and liability insurance (hazard)	7,991	-	7,991
Health insurance and other employee benefits	7,902	-	7,902
Total taxes and insurance	<u>18,508</u>	<u>-</u>	<u>18,508</u>
Total cost of operations before depreciation	<u>67,971</u>	<u>-</u>	<u>67,971</u>
Increase (decrease) in net assets before depreciation	(9,569)	4,591	(4,978)
Depreciation expense	<u>34,076</u>	<u>-</u>	<u>34,076</u>
Total (decrease)increase in net assets	(43,645)	4,591	(39,054)
Net assets, beginning of year	176,741	54,239	230,980
Prior period adjustments, equity transfers	<u>(5,197)</u>	<u>7,197</u>	<u>2,000</u>
Net assets, end of year	<u>\$ 127,899</u>	<u>\$ 66,027</u>	<u>\$ 193,926</u>

**REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

The Board of Directors
The Housing Authority of the Town of Youngsville
Youngsville, Louisiana

We have audited the financial statements of Housing Authority of the Town of Youngsville, as of and for the year ended September 30, 2003, and have issued our report thereon dated May 14, 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.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Youngsville's financial statements are free from 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 and are described in the accompanying corrective action plan for current year findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the Town of Youngsville'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 instances involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, could adversely affect the Housing Authority of the Town of Youngsville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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 also considered to be material weaknesses. However, reportable conditions we believe to be material weaknesses are identified on the corrective action plan for current year findings.

This report is intended for the information of management, the Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 14, 2004

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results
Year Ended September 30, 2003

Part I. Summary of Auditor's Results

- i. An adverse opinion has been issued on Housing Authority of the Town of Youngsville's financial statements as of and for the year ended September 30, 2003.
- ii. Reportable conditions in internal control were disclosed by the audit of the financial statements and some of the conditions are considered material weaknesses.
- iii. The audit disclosed instances of compliance which are material to the financial statements.

Part II. Findings relating to the financial statements required to be reported in accordance with Government Auditing Standards

(03-01) Segregation of Duties

CONDITION Accounting and financial functions are not adequately segregated.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

"Internal control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

CAUSE The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-02) Fixed Asset Listing (including dwelling equipment inventory)

CONDITION An inventory of fixed assets is not adequately maintained and periodically reconciled to the general ledger balances.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, LSA-RS 24:515(B)(1), Records of General Fixed Assets, states:

The head of every auditee subject to examination and audit under the provisions of R.S. 24:513(A) shall maintain records of all land, buildings, improvements other than buildings, equipment, and other general fixed assets which were purchased or otherwise acquired, and for which the entity is accountable. The records shall include information as to the date of the purchase of such property or equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed of.

Furthermore, Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, §34(f), Equipment states: 1) Equipment shall be maintained accurately; 2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership; 3) A physical inventory of equipment shall be taken and the results reconciled with equipment records at least once every two years. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment; 4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft; and, 5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and ensure compliance with state and federal regulations.

EFFECT Failure to adequately maintain an accurate asset listing increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected. The failure also places the Authority in violation of the respective state and federal regulations.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-03) Tenant Security Deposits

CONDITION A separate bank account is not being maintained for tenant security deposits.

CRITERIA HUD Handbook 4370.2 REV-1, Financial Operations and Accounting, Chapter 2 --9 Security Deposits states, in part:

"In instances where the Regulatory Agreement allows the receipt of security deposits from project tenants, a separate bank account should be established to maintain these funds....There shall be one Security Deposit Account per project. Funds in the single Security Deposit Account must not be commingled with any other funds,...In cases where the funds in the project's Security Deposit bank account exceed the amount that may be insured by the federal government (\$100,000/bank), the project may open another bank account for the excess amounts.

CAUSE The condition exists due to a lack of knowledge of the HUD Handbooks or the failure to comply with those provisions.

EFFECT The Housing Authority is not in compliance with HUD regulations.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-04) Low Rent Waiting List

CONDITION The low rent waiting list could not be produced.

CRITERIA LSA-RS 24:960.206, Waiting List: Local preferences in admission to public housing programs, declares, in part:

"(a) Establishment of PHA local preferences. (1) The PHA may adopt a system of local preference for selection of families admitted to the PHA's public housing program."

Furthermore, CFDA 14.850, Public and Indian Housing, Part III,, Section N: Special Tests & Provisions, subpart 1 Public Housing Waiting List, states:

"The PHA must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR sections 960.204 through 960.207)."

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and ensure compliance with state and federal regulations.

EFFECT Lack of a waiting list could cause the Authority to incorrectly place tenants in accordance with preferences established in the *Admission and Continued Occupancy Policies* handbook as well as 24 CFR 960.206 on Waiting List: Local preferences in admission to public housing programs.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-05) Low Rent Rejection Documentation

CONDITION Adequate documentation on tenants that do not meet the admission requirements for the program is not being maintained.

CRITERIA CFDA14.850, Part III, Section N, Special Tests & Provisions, declares:

"The PHA must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR sections 960.204 through 960.207)."

CAUSE The cause of the conditions is the result of a lack of knowledge of or failure to comply with the applicable regulations.

EFFECT Failure to document admission rejections places the Authority in noncompliance with federal regulations.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-06) Budget Adoption

CONDITION The Board of Commissioners did not approve and adopt, in a resolution, the operating budget for the fiscal year ended September 30, 2003.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

"Internal control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §400.02 states:

An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either financial statements or interim financial statements, or both."

Furthermore, PHAs are required by 24 CFR 990.112 to submit:

"...a certified copy of a Resolution of the Board of Commissioners stating that the Board has reviewed and approved the Operating Budget or Operating Budget revision and has found:

(1) That the proposed expenditures are necessary in the efficient and economical operation of the housing for the purpose of serving low-income families.

(2) That the financial plan is reasonable in that:

(i) It indicates a source of funding adequate to cover all proposed expenditures.

(ii) It does not provide for use of Federal funding in excess of that payable under the provisions of these regulations (24 CFR 990).

(3) That all proposed rental charges and expenditures will be consistent with provisions of law and the Annual Contributions Contract".

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-06) Budget Adoption (continued)

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and ensure compliance with state and federal regulations.

EFFECT Failure to approve and adopt the operating budget places the Authority in noncompliance with HUD regulations.

(03-07) Low Rent Tenant Files

CONDITION Low Rent tenant files do not contain documentation required by Federal regulations.

CRITERIA Paragraph 1A.1, Section A, entitled *Authority of the Admission and Continued Occupancy Policies* handbook states:

“This Admissions and Continued Occupancy Policy (the Plan) incorporates these requirements and is binding upon applicants, residents, and PHA alike, the latter two through inclusion of the Plan into the Dwelling Lease by reference.”

Furthermore, the *Admission and Continued Occupancy Policies* handbook in paragraph 3A.1, Section A, *Sources of Standards* identifies applicable regulations:

“The pertinent laws of the Federal, State and Municipal Governments. The Contractual agreements pertaining to the various developments and/or programs between the PHA, State and/or Federal agencies. The provision of Title 24, Sub-part B (Section 960.201 thru 960.207), Sub-part D (Section 960.401 thru 960.409) and Sub-part A (Section 966.1 thru 966.6) as set fourth in the Code of Federal Regulations, Volume 40, Numbers 153, 154 and 188.”

These provisions either list or describe the criteria and requirements that the Authority should admit or reexamine tenants by, and provide sources of documentation acceptable for ascertaining tenant eligibility into the appropriate program.

CAUSE Lack of knowledge of the admission and continued occupancy policies and the Federal regulations that authorize such policies.

EFFECT Failure to maintain adequate records places the Authority in violation of the *Admission and Continued Occupancy Policies* handbook and the applicable Codes of Federal Regulations.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-08) Personnel Files

CONDITION Personnel files did not contain Forms W-4 and I-9, Department of Civil Service Form SF-1, or authorization and approval for current rates of pay.

CRITERIA Code of Federal Regulations (CFR) Title 8 – Aliens and Nationality, Subpart A – Employer Requirements, Sec. 274a.2 – Verification of Employment Eligibility (b) (2) Retention and Inspection of Form I-9 (i) (A) states that form I-9 must be retained by an employer for three years after the date of the hire or one year after the date the individual's employment is terminated, whichever is later.

Internal Revenue Code (IRC), 2001 Code Vol., Sec. 3402 Income Tax Collected at Source –

(f) (2) Exemption Certificates (A) On Commencement of Employment states that on or before the commencement of employment with an employer, the employee shall furnish the employer with a signed withholding exemption certificate relating to the number of withholding exemptions which he claims, which shall in no event exceed the number to which he is entitled.

(f) (5) – 1 Form and contents of withholding exemptions (a) Form W-4 states that the W-4 is the form prescribed for the withholding exemption certificate required to be filed under Section 3402(f)(2).

Department of Civil Service Rule 15.3 Reporting and Certifying Actions (a) states that personnel actions and changes must be reported no later than 30 days after their effective date to the Department of Civil Service.

CAUSE Lack of knowledge or failure to comply with applicable federal regulations.

EFFECT No current financial statement effect, but may subject the Authority to monetary penalties for failure to comply.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-09) Expenditure Documentation and Approval

CONDITION Certain expenditures (including compensation, pension plan contributions, and other benefit arrangements) did not evidence adequate supporting documentation and/or proper approval of the Board of Commissioners.

CRITERIA SAS55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55*, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, *Statements on Standards for Attestation Engagements (SSAE) AT §400.02* states:

An entity’s internal control over financial reporting includes those policies and procedures that pertain to an entity’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in either financial statements or interim financial statements, or both.”

Furthermore, Article VII, Section 14 of the 1974 Louisiana Constitution includes a prohibition that no funds, credit, property or things of value of any political subdivision shall be loaned, pledged, or donated to any person, association, or corporation, public or private.

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and ensure compliance with applicable constitutional provisions.

EFFECT Failure to obtain proper approval and/or supporting documentation for expenditures increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected. Also, the failure to obtain the approval of the Board of Commissioners for compensation and related items results in the expenditures being considered unauthorized and an adverse opinion issued on the financial statements.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
Program Number FW-1172

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2003

(03-10) Filing of Audit Report

CONDITION Audited financial statements were not submitted to the Legislative Auditor in a timely manner.

CRITERIA Louisiana Revised Statute 24:513(A)(5)(a) states, in part:

“Such audits (as required by LSA-RS 24:513(I)) shall be completed within six months of the close of the entity’s fiscal year.”

CAUSE The condition is due to the delay of the performance of contract services, the completion of which was necessary prior to the initiation of audit procedures.

EFFECT Failure to timely remit audited financial information places the Authority in violation of state statute.

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
 Program Number FW-1172

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

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
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Section I - Internal control and compliance material to the financial statements.

Compliance

There were no items previously reported in this section

Internal Control

There were no items previously reported in this section

Section Ia - Other Internal control and compliance

Compliance

There were no items previously reported in this section

Internal Control

There were no items previously reported in this section

Section II - Management letter

There were no items previously reported in this section

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
 Program Number FW-1172

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

Ref. No.	Description of Finding	Corrective Action Planned	Name(s) of Contact Person(s)	Anticipated Completion Date
Section I - Internal control and compliance material to the financial statements				
<u>Compliance</u>				
03-02	An inventory of fixed assets is not adequately maintained and periodically reconciled to general ledger balances	A complete inventory has been taken and reconciled to general ledger balances.	Kathy Prejean, Executive Director	Completed prior to release of report
03-10	Audited financial statements were not submitted to the Legislative Auditor in a timely manner	Future audits will be submitted in accordance with state statute.	Kathy Prejean, Executive Director	On or before March 31, 2005
<u>Internal Control</u>				
03-01	Accounting and financial functions are not adequately segregated	No corrective action is planned. Due to the size and nature of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	N/A	N/A
03-02	An inventory of fixed assets is not adequately maintained and periodically reconciled to general ledger balances.	A complete inventory has been taken and reconciled to general ledger balances.	Kathy Prejean, Executive Director	Completed prior to release of report
03-09	Certain expenditures did not evidence adequate supporting documentation and/or proper approval of the Board of Commissioners	In the future, proper supporting documentation will be maintained and those expenditures requiring board approval will be brought to the board and adopted via resolution.	Kathy Prejean, Executive Director	Monitored on an on-going basis
Section Ia - Other internal control and compliance				
<u>Compliance</u>				
03-03	A separate bank account is not maintained for tenant security deposits	We will correct this matter by transferring security deposits into a separate account	Kathy Prejean, Executive Director	On or before September 30, 2004
03-04	The low rent waiting list could not be produced	A waiting list has been developed and can be produced upon request	Kathy Prejean, Executive Director	Completed prior to release of report

HOUSING AUTHORITY OF THE TOWN OF YOUNGSVILLE
 Program Number FW-1172

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

Ref. No.	Description of Finding	Corrective Action Planned	Name(s) of Contact Person(s)	Anticipated Completion Date
03-05	Adequate documentation on tenants that do not meet the admission requirements for the program is not being maintained.	Documentation of tenant rejections is now being maintained under separate file	Kathy Prejean, Executive Director	Completed prior to release of report
03-06	The Board of Commissioners did not approve and adopt, in a resolution, the operating budget for the year ended September 30, 2003	Youngsville Housing Authority has changed the composition of the Board of Commissioners and will approve and adopt, with a resolution, future operating budgets	Kathy Prejean, Executive Director	FYE 9/30/04 budget to be approved at the June, 2004
03-07	Low Rent tenant files do not contain documentation required by Federal regulations	Tenant files have been reviewed and updated to include the documentation required by Federal regulations	Kathy Prejean, Executive Director	Completed prior to release of report
03-08	Personnel files do not contain Forms W-4 and I-9, Department of Civil Service Form SF-1, or authorization and approval of current rates of pay	Personnel files have been reviewed and updated to include the documentation required by Federal regulations	Kathy Prejean, Executive Director	Completed prior to release of report
<u>Internal Control</u>				
03-06	The Board of Commissioners did not approve and adopt, in a resolution, the operating budget for the year ended September 30, 2003	Youngsville Housing Authority has changed the composition of the Board of Commissioners and will approve and adopt, with a resolution, future operating budgets	Kathy Prejean, Executive Director	FYE 9/30/04 budget to be approved at the June, 2004 meeting

Section II - Management letter

There are no items applicable to this section