

**HOUSING AUTHORITY OF RAYVILLE**  
**REPORT ON EXAMINATION OF**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

**TWELVE MONTHS ENDED SEPTEMBER 30, 2003**

**Mike Estes, P.C.**  
A Professional Accounting Corporation

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MEMBER  
AMERICAN BOARD CERTIFIED  
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners  
Housing Authority of Rayville  
Rayville, Louisiana

Regional Inspector General for Audit  
Office of Inspector General  
Department of Housing and Urban  
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Rayville, Louisiana at and for the year ended September 30, 2003, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Rayville, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined 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.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Rayville, Louisiana as of September 30, 2003, the results of its operations, changes in its total net assets and statement of cash flows for the year 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 a report dated January 8, 2004 on our consideration of Housing Authority of Rayville'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 on an audit performed 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* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Rayville, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and other supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes 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.

Mike Estes, P.C.  
Fort Worth, Texas  
January 8, 2004

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
ENTERPRISE FUNDS  
COMBINED BALANCE SHEET

YEAR ENDED SEPTEMBER 30, 2003

ASSETS

Current assets	
Cash and cash equivalents	\$ 22,079
Investments	167,765
Accounts receivable (net of allowance for doubtful accounts of zero)	908
Interest receivable	852
Interfund receivable	2,588
Prepaid items and other assets	12,330
Inventory	500
	<hr/>
Total Current Assets	207,022
	<hr/>
Restricted Assets	
Tenant deposits	10,446
	<hr/>
Fixed Assets	
Land, buildings, and equipment (net)	2,787,464
	<hr/>
TOTAL ASSETS	<u>3,004,932</u>

LIABILITIES AND FUND EQUITY

Current Liabilities	
Accounts payable	14,315
Deferred revenue	187
Interfund payable	2,588
Accrued PILOT	8,662
	<hr/>
Total Current Liabilities	25,752
	<hr/>
Current Liabilities Payable from Current Restricted Assets	
Deposits due others	10,446
	<hr/>
Noncurrent Liabilities	
Compensated absences payable	14,459
	<hr/>
Total Liabilities	14,459
	<hr/>
Fund Equity	
Contributed capital	2,738,895
Retained earnings:	
Unreserved	215,380
	<hr/>
Total Fund Equity	2,954,275
	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,004,932</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2003

OPERATING REVENUES	
Dwelling rental	\$ 111,381
Insurance proceeds from damage to buildings	68,205
Other	254
	179,840
OPERATING EXPENSES	
Administration	125,280
Tenant services	98
Utilities	24,198
Ordinary maintenance & operations	138,522
General expenses	38,181
Nonroutine maintenance	69,571
Depreciation	157,536
Housing assistance payments	270,144
	823,530
Total operating expenses	823,530
Income (loss) from Operations	(643,390)
Non operating revenues (expenses)	
Interest earnings	2,283
Federal grants	532,255
Losses on Disposal of Equipment	(8,872)
	525,666
Total Non-operating revenues (expenses)	525,666
NET LOSS	(118,024)
Depreciation on fixed assets acquired by contribution	23,172
Decrease in retained earnings	(94,852)
RETAINED EARNINGS AT BEGINNING OF YEAR	310,232
RETAINED EARNINGS AT END OF YEAR	215,380
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	2,762,067
Depreciation transferred from retained earnings	(23,172)
CONTRIBUTED CAPITAL AT END OF YEAR	2,738,865
FUND EQUITY, END OF YEAR	\$ 2,954,275

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (643,390)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation	157,536
Changes in operating current assets and liabilities:	
Decrease in accounts receivables	5,562
Increase in interest receivable	(698)
Decrease in interfund receivables	5,222
Increase in prepaid items and other assets	(2,925)
Decrease in inventory	1,000
Decrease in accounts payables	(34,843)
Increase in deposits due others	104
Increase in deferred revenue	74
Increase in accrued PILOT	874
Decrease in interfund payable	(5,222)
Decrease in liability for compensated absences	(1,172)
	(517,878)
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	517,968
	517,968
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal grants	14,287
Construction costs and purchase of equipment	(19,277)
Increase in long-term compensated absences	3,915
	(1,075)
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	

CONTINUED

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(36,335)
Increase in restricted assets	(104)
Interest earnings	<u>2,283</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(34,156)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,141)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>57,220</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>22,079</u></u>
	CONCLUDED

The Notes to the Financial Statements are an integral part of these statements.



HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

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HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying general-purpose financial statements of the Housing Authority of the City of Rayville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. BASIS OF PRESENTATION** Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:391) of the state of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Honorable Mayor of the City of Rayville, serve staggered multi-year terms.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the Housing Authority for the purpose of assisting the Housing Authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the Housing Authority for the purpose of maintaining this low-rent character.

The Housing Authority had 100 units in Low Rent management in one project. It also manages 80 units of Section 8 New Construction under program FW-2169.

Program	Contract Number	Number Of Units
PHA owned housing	FW-1276	100
New Construction	FW-2169	80

**B. REPORTING ENTITY** GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The Housing Authority is a related organization of the City of Rayville since the City of Rayville appoints a voting majority of the Housing Authority’s governing board. The City of Rayville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Rayville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Rayville.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
  - a. The ability of the Housing Authority to impose its will on that organization's body, and:
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

**C. FUNDS** The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus for all assets and all liabilities associated with the operation of these funds are included on the balance sheet. 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.

**D. BUDGETS**

**General Budget Policies** The following summarizes the budget activities of the Housing Authority during the year ended September 30, 2003:

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

**E. CASH AND CASH EQUIVALENTS** Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Housing Authority may invest in United States bonds, treasure notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are state at the lower of market or cost.

**F. INVESTMENTS** Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments *participating* interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

**G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES** During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**H. INVENTORY AND PREPAID ITEMS** Inventories consist of expendable supplies held for consumption stated on a lower of cost or market on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

**I. FIXED ASSETS** Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have not been capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	40 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

**J. COMPENSATED ABSENCES** The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

**K. DEFERRED REVENUES** The Housing Authority reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

**L. USE OF ESTIMATES** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS** Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name

Category 3 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

At September 30, 2003 the Housing Authority has Cash equivalents, and investments totaling \$200,290 as follows:

Cash on hand	\$	50
Interest-bearing demand deposits		32,475
Time deposits		167,765
Total	\$	200,290
Cash and cash equivalents	\$	22,079
Cash and cash equivalents – restricted		10,446
Investments		167,765
Total	\$	200,290

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. 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 Housing Authority's carrying amount of deposits was \$200,240 and the bank balance was \$204,047. Of the bank balance, \$157,027 was covered by federal depository insurance (GASB Category 1). The remaining \$47,020 was collateralized with securities held by the pledging financial institution's trust department or agent but in the Housing Authority's name (GASB Category 2).

Investments during the year were solely in time deposits at banks.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

**NOTE 3 – RECEIVABLES** the receivables of \$908 at September 30, 2003, are as follows:

<u>Class of Receivables</u>	
Local sources	
Tenants	\$ 875
Federal sources:	
Grants	33
Total	\$ 908

**NOTE 4 – FIXED ASSETS** The changes in general fixed assets are as follows:

	Balance 9/30/03	Additions	Deletions	Balance 9/30/04
Land and buildings	\$ 3,894,850	\$ 395,247	\$ 0	\$ 4,290,097
Furniture and equipment	100,454	5,160	21,115	84,499
Construction in progress	395,247	0	381,130	14,117
Total	4,390,551	400,407	402,245	4,388,713
Less: accumulated depreciation				
Buildings	1,417,573	147,409	0	1,564,982
Furniture and equipment	38,083	10,127	11,943	36,267
Total	1,455,656	157,536	11,943	1,601,249
Fixed assets, net	\$ 2,934,895	\$ 242,871	\$ 390,302	\$ 2,787,464

**NOTE 5 – RETIREMENT SYSTEM** The Housing Authority participates in a defined contribution plan. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan from the first anniversary date of the employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Participants in the plan do not make monthly contributions. The employer is required to make monthly contributions equal to 8 percent of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

The Housing Authority's contributions were calculated using the base salary amount of \$97,288. The Housing Authority made the required contributions of \$7,783 for the year ended September 30, 2003, of which \$7,783 was paid by the Housing Authority. No payments were made out of the forfeiture account.

**NOTE 6 – ACCOUNTS PAYABLE** The payables of \$14,315 at September 30, 2003, are as follows:

Trade payables	\$	6,807
Payroll withholdings		2,179
Federal grants		5,329
	\$	<u>14,315</u>

**NOTE 7 – COMPENSATED ABSENCES** At September 30, 2003, employees of the Housing Authority have accumulated and vested \$14,459 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. These amounts are recorded as liabilities in the funds from which payment will be made.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES** The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996. These programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

**NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES** The Low Rent program is due \$2,555 and \$33 by the Section 8 New Construction and Capital Fund programs, respectively.



SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2003

CASH BASIS

		<u>2002 CFP</u>
Funds approved	\$	196,327
Funds expended		<u>59,951</u>
Excess of funds approved	\$	<u><u>136,376</u></u>
Funds advanced	\$	59,917
Funds expended		<u>59,951</u>
Excess of funds advanced	\$	<u><u>(34)</u></u>

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Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133

Housing Authority of Rayville  
Rayville, Louisiana

We have audited the compliance of the Housing Authority of Rayville, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The Housing Authority of Rayville, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Rayville, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Rayville, Louisiana'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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular 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 of Rayville, Louisiana's compliance with those requirements and performing such other procedures as we consider 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 of Rayville, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Rayville, Louisiana 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 September 30, 2003. However, the results of our auditing procedures disclosed three instances of noncompliance that are required to be reported in accordance with OMB Circular No. A-133 and which are described in the accompanying schedule of findings and questioned costs as Audit Findings #03-01 - #03-03.

## Internal Control Over Compliance

The management of The Housing Authority of Rayville, Louisiana is responsible for establishing and maintaining 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 of Rayville, Louisiana'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 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 for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P.C.  
Fort Worth, Texas  
January 8, 2004

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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 Governmental Auditing Standards

Housing Authority of Rayville  
Rayville, Louisiana

We have audited the financial statements of the Housing Authority of Rayville, Louisiana as of and for the year ended September 30, 2003, and have issued our report thereon dated January 8, 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 Rayville, Louisiana'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 a 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted three immaterial instances of noncompliance. They are the three audit findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Rayville, Louisiana'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P. C.  
Fort Worth, Texas  
January 8, 2004

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>194,094</u>
Section 8 HAP – New Construction	14.182	<u>284,679</u>
Public Housing Capital Fund	14.872	<u>53,482</u>
Total United States Department of Housing and Urban Development		<u>532,255</u>
Total Expenditures of Federal Awards		<u><u>532,255</u></u>

Total Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2003

**NOTE 1 – GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the City of Rayville, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose 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 accrual basis of accounting, which is described in note 1(C) to the Housing Au+thority’s general-purpose financial statements.

**NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS** Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

		Federal Sources
Enterprise funds:		
Public Housing	\$	194,094
Section 8 New Construction		284,679
Capital Fund		53,482
Total	\$	532,255

**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 generally accepted accounting principles.

**NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS** The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.



HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed *by Government Auditing Standards* issued by the Comptroller General of the United States.
- iii. There were no 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 three audit findings which the auditor is required to report under OMB Circular No. A-133, Section .520(a).
- vii. The major federal programs are:  

CFDA# 14.850	Public and Indian Housing – Low Rent Program
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- 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 qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Prior Audit Findings and Questioned Costs

The one prior audit finding was that the Section 8 New Construction Waiting List did not list the offer dates, dates housed, or the elderly or handicapped preference notation, as provided for in the Administrative Plan.

The Waiting List contained this information in the current year. This finding is cleared.

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

Current Audit Findings

Entity-wide or program/department specific

Low Rent and Section 8 New Construction

Finding 03-01 – Tenant Files

Statement of Condition

The PHA personnel that obtain third party verification of income, and perform related functions in determining eligibility, and figuring rental incomes at move-in, annual and interim recertifications are well trained and do a good job.

Supervisory personnel claim they re-check these matters on a heavy test basis, and their claim is plausible. However, this re-check needs to be better documented.

In addition, income was not always verified by a third party in writing. Copies of written confirmation requests were not present in the files to document management's contention that in all instances, written requests were sent. Income was ultimately verified, but not by third party confirmation, as follows:

- A) Of the eight Low Rent tenant files we reviewed, earned income was verified on two tenants by the use of check stubs only.
- B) Of the seven Section 8 New Construction tenant files we reviewed, income was verified on one tenant by the use of check stubs only.

In addition, a Form 9886 Privacy Act Notice was not timely secured on three of the eight Low Rent tenant files. Finally, a Section 214 Declaration of Citizenship Status form was not secured on any family members in the eight examined Low Rent tenant files. Only one Section 214 form was lacking on the seven examined Section 8 New Construction tenant files.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Criteria

Internal control procedures for federal programs require supervisory personnel to test check that the proper procedures were employed and the required information was timely obtained to figure rental income. This check needs to be better documented for third party review. Also, documentation should be present in all files that the PHA sent written confirmation requests, and relied on other evidence only when the written requests could not be obtained.

Effect

Possible improper rental income calculations and improper subsidy payments from HUD, since the amount of rental income collected affects the operating subsidy.

Cause

Again, it appears the PHA is doing a supervisory review in this area, but it needs to be better documented.

Recommendation

The PHA should develop a worksheet that includes at a minimum the name of the tenant, the date of the quality control review, the items tested, the results, the corrections made, if any, and the date of the corrections. Also, written requests need to be present in the files.

Corrective Action Plan – Response 03-01

I am R.A. Eubanks, Executive Director and designated person to answer these findings. We will comply with the above. However, we note that we were not notified by HUD about the new preference for third party written verification until August 1, 2003. We will perform our quality control checks monthly and we will retain the documentation.

Low Rent

Finding 03-02 – Inventory of Equipment

Statement of Condition

All fixed assets are not tagged and a complete physical inventory of fixed assets was not conducted.

Criteria

The A-102 Common Rule and OMB Circular A-110 require that a physical inventory shall be taken at least once every two years and reconciled to the equipment records. In addition, Louisiana state law compliance requirements (R.S. 24:515) has similar record keeping requirements.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Effect

The PHA has minimal equipment. Items per the depreciation schedule were physically cited by us on a heavy test basis. The listing of ranges and refrigerators, by unit and serial number, appears to be current. Therefore, any misstatement is considered minimal.

Cause

The office building suffered fire damage in December 2002. Due to time constraints, the PHA overlooked taking on inventory of the replacement and all other equipment.

Recommendation

The PHA should perform a physical inventory at least annually and follow up on items not found. Also, the PHA should identify (tag) assets that belong to the PHA and include the tag number on the listing of fixed assets.

Corrective Action Plan – Response 03-02

We will comply with the above. We plan to complete our inventory by January 31, 2004.

Low Rent, Section 8 New Construction and Capital Funding

Finding 03-03 - Code of Ethics

Statement of Condition

The PHA was not able to provide an adopted Code of Ethics Policy.

Criteria

The PHA should provide documentation that it has adopted a Code of Ethics Policy that requires compliance with Louisiana state law sections LSA-RS 42:1101-1124 and LSA-RS 42:1119.

Effect

No violations of ethics or conflicts of interest were noted in the audit.

Cause

Unknown.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Recommendation

The PHA should adopt a Code of Ethics policy.

Corrective Action Plan – Response 03-03

We believe we had one that may have been destroyed in a recent fire. However, we will adopt this again. We plan to adopt a Code of Ethics Policy by January 31, 2004.

General Comments

The PHA has begun publishing its Board Minutes in a local newspaper. We also note that the PHA checks the usage of cellular telephones. In two instances, the PHA has sought and obtained reimbursement from employees for improper usage.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED SEPTEMBER 30, 2003

03 MI – Monthly Rental Collections – Documentation

In the area of collecting and recording receipts from rental revenue and assessed charges to tenants, the PHA does an adequate job of segregating duties and performing quality control checks, considering the limited staff. This takes into consideration that office personnel consists only of an Executive Director and an administrative assistant.

However, documentation of the quality control needs to be improved. I have left a suggested daily control log with the PHA. This daily control should note:

- a) Person(s) receiving rental collections and issuing receipts to tenants.
- b) Person who reconciles and agrees total of cash receipts drawer to total of duplicates of rental receipts and/or computer receipts' listing.
- c) Person who prepares bank deposit.
- d) Person who agrees validated bank deposit total to original amount of deposit per © above.
- e) Person who agrees total month's validated deposit(s) to bank statement.
- f) Person who reconciles total rental receipts per bank to the collections per the monthly rental register (done monthly).

HOUSING AUTHORITY OF THE CITY OF RAYVILLE  
SCHEDULE OF AUDIT JOURNAL ENTRIES

YEAR ENDED SEPTEMBER 30, 2003

	ACCT. # FOR AUDIT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
<u>Low Rent</u>				
Other operating – administrative	916	247		
Prior year adjustments	1104		247	

To reclass immaterial amount classified as prior year adjustment