

**HOUSING AUTHORITY OF VERNON PARISH**  
**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  
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Independent Auditor's Report

Board of Commissioners  
Housing Authority of Vernon Parish  
Vernon Parish, 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 Vernon Parish, 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 Vernon Parish, 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 Vernon Parish, 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 23, 2004 on our consideration of Housing Authority of Vernon Parish'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 Vernon Parish, 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 23, 2004

HOUSING AUTHORITY OF VERNON PARISH  
ENTERPRISE FUNDS  
COMBINED BALANCE SHEET

YEAR ENDED SEPTEMBER 30, 2003

ASSETS

## Current assets

Cash and cash equivalents	\$	195,893
Accounts receivable (net of allowance for doubtful accounts of zero)		3,012
Prepaid items and other assets		9,111
Inventory		4,592

Total Current Assets		212,608
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## Restricted Assets

Tenant deposits		8,150
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## Fixed Assets

Land, buildings, and equipment (net)		2,493,577
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TOTAL ASSETS		2,714,335
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LIABILITIES AND FUND EQUITY

## Current Liabilities

Accounts payable		367
Compensated absences payable		4,288
Deferred revenue		605

Total Current Liabilities		5,260
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## Current Liabilities Payable from Current Restricted Assets

Deposits due others		8,150
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## Noncurrent Liabilities

Compensated absences payable		2,355
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Total Liabilities		15,765
-------------------	--	--------

## Fund Equity

Contributed capital		2,354,751
Retained earnings:		
Unreserved		343,819

Total Fund Equity		2,698,570
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TOTAL LIABILITIES AND FUND EQUITY	\$	2,714,335
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The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF VERNON PARISH  
COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2003

OPERATING REVENUES	
Dwelling rental	\$ 84,515
Other	8,082
	<hr/>
Total revenues	92,597
	<hr/>
OPERATING EXPENSES	
Administration	109,970
Tenant services	798
Utilities	19,579
Ordinary maintenance & operations	77,513
General expenses	28,887
Depreciation	137,144
Housing assistance payments	141,513
	<hr/>
Total operating expenses	515,404
	<hr/>
Income (loss) from Operations	(422,807)
	<hr/>
Non operating revenues (expenses)	
Interest earnings	2,298
Federal grants	486,036
	<hr/>
Total Non-operating revenues (expenses)	488,334
	<hr/>
NET INCOME (LOSS)	65,527
	<hr/>
Depreciation on fixed assets acquired by contribution	129,488
	<hr/>
Increase in retained earnings	195,015
	<hr/>
RETAINED EARNINGS AT BEGINNING OF YEAR	143,558
	<hr/>
Prior year adjustment – Note 10	5,246
	<hr/>
RETAINED EARNINGS AT BEGINNING OF YEAR, AS RESTATED	148,804
	<hr/>
RETAINED EARNINGS AT END OF YEAR	343,819
	<hr/>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	2,484,239
	<hr/>
Depreciation transferred from retained earnings	(129,488)
	<hr/>
CONTRIBUTED CAPITAL AT END OF YEAR	2,354,751
	<hr/>
FUND EQUITY, END OF YEAR	\$ 2,698,570
	<hr/>

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

HOUSING AUTHORITY OF VERNON PARISH  
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (422,807)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation	137,144
Changes in operating current assets and liabilities:	
Increase in accounts receivables	(1,990)
Increase in prepaid items and other assets	(1,396)
Increase in inventory	(697)
Decrease in accounts payables	(7,678)
Increase in deposits due others	750
Increase in deferred revenue	605
Increase in liability for compensated absences	437
	<hr/>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	(295,632)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	346,788
Increase in long-term portion of compensated absences	2,355
	<hr/>
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	349,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal grants	139,248
Construction costs and purchase of equipment	(142,532)
	<hr/>
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,284)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in restricted assets	(750)
Interest earnings	2,298
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,548
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	144,118
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 195,893

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

HOUSING AUTHORITY OF VERNON PARISH  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

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HOUSING AUTHORITY OF VERNON PARISH  
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 Vernon Parish 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 Parish declaring a need for the Housing Authority to function in such Parish. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Vernon Parish Police Jury, 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 66 units in Low Rent management in two projects. It also has 66 units of Section 8 Housing Choice Voucher.

Program	Contract Number	Number Of Units
PHA owned housing	FW-2027	66
Housing Choice Voucher	LA128VO	66

**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 Parish since the Parish appoints a voting majority of the Housing Authority’s governing board. The Parish 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 Parish. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Parish.

HOUSING AUTHORITY OF VERNON PARISH  
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.

HOUSING AUTHORITY OF VERNON PARISH  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

**D. BUDGETS**

**General Budget Policies** The following summarizes the budget activities of the Housing Authority during the 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 VERNON PARISH  
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	33 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 VERNON PARISH  
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 \$204,043 as follows:

Cash on hand	\$	160
Interest-bearing demand deposits		203,883
Total	\$	204,043
Cash and cash equivalents	\$	195,893
Cash and cash equivalents – restricted		8,150
Total	\$	204,043

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 \$203,883 and the bank balance was \$216,151. Of the bank balance, \$100,000 was covered by federal depository insurance (GASB Category 1). The remaining \$116,151 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 VERNON PARISH  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

**NOTE 3 – RECEIVABLES** the receivables of \$3,012 at September 30, 2003, are as follows:

<u>Class of Receivables</u>	
Local sources	
Tenants	\$ 501
Other	1,397
Federal sources:	
Grants	1,114
Total	\$ 3,012

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

	Balance 9/30/02	Additions	Deletions	Balance 9/30/03
Land and buildings	3,335,171	92,792	0	3,427,963
	\$	\$	\$	\$
Furniture and equipment	89,724	6,682	6,912	89,494
Construction in progress	0	43,058	0	43,058
Total	3,424,895	142,532	6,912	3,560,515
Less: accumulated depreciation				
Buildings	879,320	128,479	0	1,007,799
Furniture and equipment	57,386	8,665	6,912	59,139
Total	936,706	137,144	6,912	1,066,938
Fixed assets, net	2,488,189	5,388	0	2,493,577
	\$	\$	\$	\$

**NOTE 5 – RETIREMENT SYSTEM** The Housing Authority participates in a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. 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. Each participant in the plan is required to make a monthly contribution equal to 5 percent of his effective compensation. The employer is required to make monthly contributions equal to 7 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 VERNON PARISH  
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 \$67,220. The Housing Authority made the required contributions of \$8,477 for the year ended September 30, 2003, of which \$5,115 was paid by the Housing Authority and \$3,362 was paid by employees. No payments were made out of the forfeiture account.

**NOTE 6 – ACCOUNTS PAYABLE** The payables of \$367 at September 30, 2003, are as follows:

Trade payables	\$	79
Payroll withholdings		288
		367
	\$	367

**NOTE 7 – COMPENSATED ABSENCES** At September 30, 2003, employees of the Housing Authority have accumulated and vested \$6,643 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 – GENERAL LONG-TERM OBLIGATIONS** The following is a summary of the long-term obligation transactions for the year ended September 30, 2003.

		Compensated Absences
Balance, 9/30/02	\$	0
Additions		4,288
		4,288
Balance, 9/30/03	\$	4,288

**NOTE 9 – 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.

An individual assisted the PHA in its formation, application, and other start-up processes. For years, the PHA and this individual disagreed on the amount the PHA owed for this assistance.

The individual has obtained a judgement, for breach of contract, against the Vernon Parish Housing Authority and the Vernon Parish Police Jury. The amounts are \$39,713.28, together with legal interest from the date of judicial demand, plus attorney's fees of \$3,000.00, plus court costs.



HOUSING AUTHORITY OF VERNON PARISH  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

It appears that according to the Louisiana State constitution, all public property is exempt both from seizure and from sale at public auction to satisfy a judgement.

The PHA has received a letter from the individual plaintiff that states he will accept \$15,000 as full settlement. Presently, the PHA is unwilling to pay this amount.

**NOTE 10 – PRIOR YEAR ADJUSTMENT** Prior year adjustments consist of reclassifying a \$5,246 accounts payable – HUD for settlements prior to the year ended September 30, 2002.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF VERNON PARISH  
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2003

CASH BASIS

	2001 <u>Capital Funding</u>	2002 <u>Capital Funding</u>
Funds approved	\$ 163,795	\$ 131,061
Funds expended	<u>139,245</u>	<u>52,274</u>
Excess of funds approved	<u>\$ 24,550</u>	<u>\$ 78,787</u>
Funds advanced	\$ 139,245	\$ 52,274
Funds expended	<u>139,245</u>	<u>52,274</u>
Excess of funds advanced	<u>\$ 0</u>	<u>\$ 0</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 Vernon Parish  
Vernon Parish, Louisiana

We have audited the compliance of the Housing Authority of Vernon Parish, 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 Vernon Parish, 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 Vernon Parish, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Vernon Parish, 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 Vernon Parish, 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 Vernon Parish, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Vernon Parish, 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. We noted one immaterial instance of noncompliance. It is the one audit finding.

## Internal Control Over Compliance

The management of The Housing Authority of Vernon Parish, 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 Vernon Parish, 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 23, 2004

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PUBLIC ACCOUNTANTS

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 Vernon Parish  
Vernon Parish, Louisiana

We have audited the financial statements of the Housing Authority of Vernon Parish, Louisiana as of and for the year ended September 30, 2003, and have issued our report thereon dated January 23, 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 Vernon Parish, 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted one immaterial instance of noncompliance. It is the one audit finding.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Vernon Parish, 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 23, 2004

HOUSING AUTHORITY OF VERNON PARISH  
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANTOR PROGRAM TITLE	<u>C DFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>158,434</u>
Housing Choice Voucher	14.871	<u>175,171</u>
Public Housing Capital Fund	14.872	<u>152,431</u>
Total United States Department of Housing and Urban Development		<u><u>486,036</u></u>
Total Expenditures of Federal Awards		<u><u>486,036</u></u>

Total Expenditures of Federal Awards



HOUSING AUTHORITY OF VERNON PARISH  
 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 Vernon Parish, 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 Authority’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	\$	158,434
Section 8 Vouchers		175,171
Capital Fund		152,431
Total	\$	486,036

**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 VERNON PARISH  
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 no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a). One immaterial audit finding is disclosed.
- vii. The major federal programs are:

CFDA# 14.850	Public and Indian Housing – Low Rent Program
CFDA# 14.871	Section 8 Housing Choice Voucher
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF VERNON PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Prior Audit Findings and Questioned Costs

The prior audit report contained three audit findings as follows:

Finding 02-01 – Unauthorized Advances

The prior Executive Director took unauthorized advances. No unauthorized advances have been noted since the prior Executive Director resigned. This finding is cleared. This matter is still under investigation by the Vernon Parish Sheriff's Department.

Finding 02-02 – Unauthorized Accrued Vacation, Sick Leave and Car Allowance

The prior Executive Director took unauthorized accrued vacation, sick leave and car allowances. None of these types of unauthorized payments have been noted since the prior Executive Director resigned. This matter is still under investigation by the Vernon Parish Sheriff's Department. This finding is cleared.

Finding 02-03 – Error in Calculation of Performance Operating Subsidy

An error was noted in the calculation of the performance operating subsidy. This resulted in an understatement in the Low Rent, Accounts Payable – HUD of \$4,113. The amount was subsequently correctly adjusted. No errors were noted in the current year. This finding is cleared.

Current Audit Findings

Entity-wide or program/department specific

Low Rent and Section 8 Program

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.

We reviewed six Low Rent and six Section 8 tenant files. In two of the Section 8 files, Section 214 Declaration of Citizenship Status forms were not available on any family members.

HOUSING AUTHORITY OF VERNON PARISH  
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED SEPTEMBER 30, 2003

Criteria

The PHA should obtain Section 214 Declaration of Citizenship forms on all individuals.

Effect and Questioned Costs

None. No errors were noted in our review of tenant rent and housing assistance payments. Income was verified with the source, in writing.

Cause

The Section 214's that were not obtained were on tenants on the program prior to 1997, but who are no longer on the program..

Recommendation

The PHA should adopt a policy regarding income verifications. The policy should include the following verification preferences, in order of first to last:

- 1) via internet
- 2) third party written – unanswered requests should be kept
- 3) check stubs and telephone
- 4) resident provides information

The above have been discussed in detail with the Executive Director.

Corrective Action Plan – Response 03-01

I am Lori Lee Wilson, Executive Director and designated person to answer this audit finding. We obtained Section 214 forms on all family members. Regarding the recommended policy, I believe I'll have access to material that another Executive Director will obtain at a RHIP Workshop held in California in February. We will adopt the policy by March 31, 2004.

HOUSING AUTHORITY OF VERNON PARISH  
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>				
1	Prior year adjustments	1104	2,013	
	Other revenue	715	2,013	
	To adjust inventory adjustment against current year income – immaterial for prior audit adjustment			
<u>Section 8</u>				
1	Accounts payable-HUD	331	5,968	
	HUD Grants	706	5,968	
	To adjust for previously unadjusted for settlement for years ended prior to 9/30/02			