

HOUSING AUTHORITY OF LAKE PROVIDENCE
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 Lake Providence
Lake Providence, 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 Lake Providence, 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 Lake Providence, 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 Lake Providence, 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 February 6, 2004 on our consideration of Housing Authority of Lake Providence'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 Lake Providence, 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
February 6, 2004

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
ENTERPRISE FUNDS
COMBINED BALANCE SHEET

YEAR ENDED SEPTEMBER 30, 2003

ASSETS

Current assets

Cash and cash equivalents	\$ 107,448
Investments	14,350
Accounts receivable (net of allowance for doubtful accounts of \$20)	441
Interest receivable	57
Prepaid items and other assets	26,713
Inventory	2,765
	<hr/>
Total Current Assets	151,774

Restricted Assets

Tenant deposits	10,175
	<hr/>

Fixed Assets

Land, buildings, and equipment (net)	1,713,021
	<hr/>

TOTAL ASSETS	<u>1,874,970</u>
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LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts payable	14,274
Compensated absences payable	6,462
Accrued PILOT	11,886
	<hr/>
Total Current Liabilities	32,622

Current Liabilities Payable from Current Restricted Assets

Deposits due others	10,175
	<hr/>

Noncurrent Liabilities

Compensated absences payable	16,173
	<hr/>

Total Liabilities	<u>58,970</u>
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Fund Equity

Contributed capital	893,404
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Retained earnings:	
Unreserved	922,596
	<hr/>

Total Fund Equity	<u>1,816,000</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,874,970</u>
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The Notes to the Financial Statements are an integral part of these statements.

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

YEAR ENDED SEPTEMBER 30, 2003

OPERATING REVENUES	
Dwelling rental	\$ 171,625
Other	84,047
	<hr/>
Total revenues	255,672
	<hr/>
OPERATING EXPENSES	
Administration	147,120
Tenant services	275
Utilities	47,594
Ordinary maintenance & operations	202,213
General expenses	66,481
Nonroutine maintenance	120,717
Depreciation	220,305
	<hr/>
Total operating expenses	804,705
	<hr/>
Income (loss) from Operations	(549,033)
	<hr/>
Non operating revenues (expenses)	
Interest earnings	1,688
Federal grants	1,081,012
	<hr/>
Total Non-operating revenues (expenses)	1,082,700
	<hr/>
NET INCOME (LOSS)	533,667
	<hr/>
Depreciation on fixed assets acquired by contribution	164,087
	<hr/>
Increase in retained earnings	697,754
	<hr/>
RETAINED EARNINGS AT BEGINNING OF YEAR	224,842
	<hr/>
RETAINED EARNINGS AT END OF YEAR	922,596
	<hr/>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	1,057,491
	<hr/>
Depreciation transferred from retained earnings	(164,087)
	<hr/>
CONTRIBUTED CAPITAL AT END OF YEAR	893,404
	<hr/>
FUND EQUITY, END OF YEAR	\$ 1,816,000
	<hr/>

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

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

YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (549,033)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation	220,305
Changes in operating current assets and liabilities:	
Decrease in accounts receivables	116
Decrease in interest receivable	54
Decrease in interfund receivables	422
Increase in prepaid items and other assets	(9,047)
Decrease in inventory	1,010
Decrease in accounts payables	(1,051)
Increase in deposits due others	850
Decrease in accrued PILOT	(587)
Decrease in interfund payable	(422)
Decrease in liability for compensated absences	(14,327)
	<hr/>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	(351,710)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	317,421
Increase in long-term portion of compensated absences	16,173
	<hr/>
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	333,594
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal grants	763,591
Construction costs and purchase of equipment	(770,422)
	<hr/>
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,831)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(360)
Increase in restricted assets	(850)
Interest earnings	1,688
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	478
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,469)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	131,917
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 107,448
	<hr/> <hr/>

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

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

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HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
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 Lake Providence 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 Lake Providence, 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 150 units in Low Rent management in two projects.

Program	Contract Number	Number Of Units
PHA owned housing	FW-1099	150

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

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
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 THE CITY OF LAKE PROVIDENCE
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 THE CITY OF LAKE PROVIDENCE
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 THE CITY OF LAKE PROVIDENCE
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 \$131,973 as follows:

Cash on hand	\$	75
Interest-bearing demand deposits		117,548
Time deposits		14,350
Total	\$	131,973
Cash and cash equivalents	\$	107,448
Cash and cash equivalents – restricted		10,175
Investments		14,350
Total	\$	131,973

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 \$131,898 and the bank balance was \$142,267. Of the bank balance, \$114,450 was covered by federal depository insurance (GASB Category 1). The remaining \$27,817 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 LAKE PROVIDENCE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

NOTE 3 – RECEIVABLES the receivables of \$441 at September 30, 2003, are as follows:

<u>Class of Receivables</u>	
Local sources	
Tenants	\$ 436
Other	5
Total	\$ 441

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	4,475,975	760,354	0	5,236,329
	\$	\$	\$	\$
Furniture and equipment	175,322	10,068	8,383	177,007
Total	4,651,297	770,422	8,383	5,413,336
Less: accumulated depreciation				
Buildings	3,348,223	206,012	0	3,554,235
Furniture and equipment	140,170	14,293	8,383	146,080
Total	3,488,393	220,305	8,383	3,700,315
Fixed assets, net	1,162,904	550,117	0	1,713,021
	\$	\$	\$	\$
	\$	\$	\$	\$

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates 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 3 percent of his effective compensation, and may make additional contributions. The employer is required to make monthly contributions equal to 5½ 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 LAKE PROVIDENCE
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 \$179,733. The Housing Authority made the required contributions of \$15,195 for the year ended September 30, 2003, of which \$8,402 was paid by the Housing Authority and \$6,793 was paid by employees. No payments were made out of the forfeiture account.

NOTE 6 – ACCOUNTS PAYABLE The payables of \$14,274 at September 30, 2003, are as follows:

Trade payables	\$	13,716
Payroll withholdings		558
	\$	<u>14,274</u>

NOTE 7 – COMPENSATED ABSENCES At September 30, 2003, employees of the Housing Authority have accumulated and vested \$6,462 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

Litigation The Housing Authority is not presently involved in litigation.

Construction Projects There are certain renovation or construction projects in progress at September 30, 2003. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Grant Disallowances 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 and OMB circular No. A-133 through September 30, 2003, 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.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED SEPTEMBER 30, 2003

1. The Actual Modernization Costs are as follows:

	2000 Capital Funding	2001 Capital Funding	2002 Capital Funding
Funds approved	\$ 305,371	\$ 311,936	\$ 296,383
Funds expended	<u>305,371</u>	<u>311,936</u>	<u>296,383</u>
Excess of funds approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds advanced	\$ 305,371	\$ 311,936	\$ 296,383
Funds expended	<u>305,371</u>	<u>311,936</u>	<u>296,383</u>
Excess of funds advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs, all dated October 13, 2003 accompanying the Actual Modernization Costs Certificates submitted to HUD for approval are in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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AMERICAN BOARD CERTIFIED

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 Lake Providence
Lake Providence, Louisiana

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

In our opinion, the Housing Authority of Lake Providence, 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 on major programs and three immaterial instances of noncompliance on non-major programs.

Internal Control Over Compliance

The management of The Housing Authority of Lake Providence, 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 Lake Providence, 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
February 6, 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 Lake Providence
Lake Providence, Louisiana

We have audited the financial statements of the Housing Authority of Lake Providence, Louisiana as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 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 Lake Providence, 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*. We noted immaterial instances of noncompliance. They are the four audit findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Lake Providence, 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
February 6, 2004

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
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>297,353</u>
Public Housing Capital Fund	14.872	<u>783,659</u>
Total United States Department of Housing and Urban Development		<u>1,081,012</u>
Total Expenditures of Federal Awards		<u>1,081,012</u>

Total Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
 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 Lake Providence, 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	\$	297,353
Capital Fund		783,659
Total	\$	1,081,012

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 LAKE PROVIDENCE
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). Four immaterial instances of noncompliance are noted.
- vii. The major federal programs are:

CFDA# 14.872	Capital Fund
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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 LAKE PROVIDENCE
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

The PHA was recognizing a working preference in its admissions. However, according to the Admissions and Continued Occupancy Policy (ACOP), the PHA did not recognize local preferences. Subsequent to the prior audit, the ACOP was revised to include the working preference. But, it was not approved by Board resolution. This finding is repeated.

Finding 02-02

There was no documentation that utility rates were reviewed by the PHA. The PHA claims the rates were reviewed in the current year, but no documentation exists. This finding is repeated.

Finding 02-03 - Mandatory Earned Income Disallowance Not Checked Adequately - MEID

The MEID appears to be consistently checked at the present time. This finding is cleared.

Current Audit Findings

Entity-wide or program/department specific

Low Rent

Finding 03-01 – Inadequate Documentation of Utility Allowance Review

Statement of Condition

No documentation exists that utility rates were reviewed by the PHA.

Criteria

Federal regulations require the PHA to review utility rates at least annually, and revise the rates whenever there is a change of 10% or more in any category, (24 CFR Section 982.517).

Effect

Utility allowances may have been incorrect.

Cause

The PHA overlooked this.

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Recommendation

The PHA should review the rates as soon as possible, and revise them if necessary.

Corrective Action – Response 03-01

I am Bob Robertson, Executive Director and designated person to answer this finding. We will get a study done in the next 60 days, and revise the rates within 90 days from the date of this report, if necessary.

Low Rent

Finding 03-02 – ACOP Revised But Not Approved By Board Resolution

Statement of Conditions

The prior audit included a finding that the PHA was recognizing a working preference in its admissions. But the ACOP did not include a working preference. The recommendation was that the ACOP be revised, if the PHA wants to recognize working preferences.

The ACOP was revised. But, the revision was not approved by Board resolution.

Criteria

Revisions to the ACOP should be approved by Board resolution.

Effect

Unknown.

Cause

Apparent oversight.

Recommendation

The Board should approve revisions to the ACOP. Among the other things the Board should be doing and appears to be are:

- 1) approving the operating budget and any revisions
- 2) reviewing the Capital Funding program
- 3) approving major equipment purchases and dispositions
- 4) reviewing tenant accounts receivable and write-offs
- 5) approving the annual MASS, when not exempt from filing
- 6) reviewing the monthly financial statements

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

- 7) reviewing the annual independent audit, and any reviews by state or federal auditors.
- 8) review PHA investments and interest rates
- 9) reviewing status of any commitments or contingencies, such as potential lawsuits (none noted in the current audit)

Corrective Action Plan – Response – 03-02

It was an oversight that the Board did not approve the ACOP revision. We will do this at our next Board meeting.

Low Rent

03-03 – Tenant Files

Statement of Condition

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

We reviewed ten tenant files. In one, a Form 9886 Privacy Act Notice had not been completed within fifteen months at recertification. In another, earned income was verified by check stubs. None of the files had a Section 214 Declaration of Citizenship Status form.

Criteria

Income should be verified via the internet. If that is not possible, a written verification should be attempted. Declaration of Citizenship Forms should be obtained on all members of the household.

Effect and Questioned Costs

In this instance, none.

Cause

Apparent oversight.

Recommendation

The PHA should update its Admissions and Continued Occupancy Policy (ACOP) regarding income verification. The policy should include the following verification preferences, in order of first to last:

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

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

In addition, 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 corrections. Also, written requests need to be present in the files.

Corrective Action Plan – Response 03-03

Regarding the recommended policy, I believe we will 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.

We will start documenting our quality control of tenant files, beginning no later than March 31, 2004.

Capital Funding

Finding 03-04 – Monitoring Needs Improvement

Statement of Condition

The PHA expended Capital Funds on a substantial rehab in the current year. Almost all of the expended funds were paid to the general contractor or the architect.

The PHA's monitoring representative was the Executive Director. He is a former maintenance man, has a NAHRO certification as a Building Maintenance Mechanic. From the performance of prior audits, we believe he is very knowledgeable about construction costs and rehabs.

However, he could not provide us with copies of any daily or weekly progress reports or logs of the weather, construction progress, problem areas, etc.

The architect did detailed field reports and punchlists, and a final punchlist. However, the architects contract, HUD-51915, states cite visits will be "not less than twice during each month while actual construction is in progress . . ."

We were unable to gather documentation that the architects' representative visited at least twice a month. (it appears that a field report is not required for each visit, if no deficiencies or defects are noted).

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Criteria

Corp of Engineers reports on other modernization programs suggest the PHA should keep a daily log (the Corp has not physically reviewed this grant). In addition, documentation needs to be kept by the PHA of all site visits by the architect.

Effect

It appears the modernization was reviewed adequately by the architect. Again, we emphasize the field reports and punchlists were detailed. The E.D. claims he gave copies of the punchlists to the contractors, and reviewed the corrections with the contractors. The Executive Director's notes appear on these punchlists.

Cause

Apparent oversight.

Recommendation

The PHA's representative needs to better document his monitoring of future modernization work. Documentation needs to be kept of all visits by the architect.

Corrective Action – Plan – Response 03-04

I was on site every day, monitoring the work. I did not realize I needed to write it down. I will in the future.

SEE MANAGEMENT LETTER ON NEXT PAGE

HOUSING AUTHORITY OF THE CITY OF LAKE PROVIDENCE
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.

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).

03-M2 – Updating of Policies

The PHA has begun publishing its minutes in a local newspaper, and should continue to do so.

The PHA is also in the process of updating or preparing policies that address compliance with state laws, including but not limited to the following areas:

- 1) budgeting
- 2) credit cards
- 3) ethics