

**Housing Authority of the Town of Newellton  
Newellton, Louisiana**

**Annual Financial Report  
As of and for the Year Ended June 30, 2004**

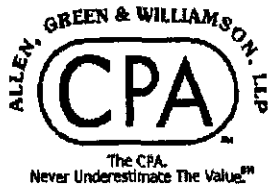
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate, at the office of the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

Release Date 2-23-05

Housing Authority of the Town of Newellton

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1963 - 2000

## Independent Auditors' Report

Board of Commissioners  
Housing Authority of the Town of Newellton  
Newellton, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the Town of Newellton as of and for the year ended June 30, 2004, which comprise the Housing Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority, as of June 30, 2004, and the respective changes in financial position and 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 our report dated December 3, 2004, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

As described in Note 9, the Housing Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

**Required Supplemental Information** The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and accordingly, express no opinion on it.

**Supplemental Information** Our audit was performed for the purpose of forming an opinion on the financial statements that comprise the Housing Authority's basic financial statements. The accompanying information identified in the table of contents as other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Information** The information identified in the table of contents as the Other Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Housing Authority. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
December 3, 2004

**REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)**

Housing Authority of the Town of Newellton

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Management's Discussion and Analysis (MD&A)

June 30, 2004

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As management of the Housing Authority, we offer readers of the Housing Authority's basic financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Housing Authority has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**FINANCIAL HIGHLIGHTS** The Housing Authority's cash balance of \$40,785 increased in the current year due to over acquisition of funds from HUD which is to be recaptured, which in effect increased accounts payable for the current year in the amount of \$31,738.

**OVERVIEW OF THE FINANCIAL STATEMENTS** This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements comprise two components: 1) basic financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Housing Authority is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are required to be presented as the basic financial statements.

**FUND FINANCIAL STATEMENTS** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Housing Authority is reported as proprietary fund type.

Housing Authority of the Town of Newellton

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Management's Discussion and Analysis (MD&A)

June 30, 2004

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**USING THIS ANNUAL REPORT** The Housing Authority's annual report consist of financial statements that show information about the Housing Authority's enterprise fund.

***Financial Section***

**Required Supplemental Information**

**Management's Discussion & Analysis (MD&A)**

**Basic Financial Statements**

**Fund  
Financial Statements**

**Notes to the Basic Financial  
Statements**

**Supplemental Information**

**Schedule of Compensation Paid Board Members**

Our auditor has provided assurance in the independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

**Reporting the Housing Authority's Proprietary Funds**

Proprietary funds – All of the Housing Authority's services are reported in enterprise funds. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Housing Authority of the Town of Newellton

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Management's Discussion and Analysis (MD&A)

June 30, 2004

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**FINANCIAL ANALYSIS** The Housing Authority's net assets were \$6,497 at June 30, 2004. As we noted earlier, the Housing Authority uses fund accounting to help it control and manage money for particular purposes. The enterprise fund is used to account for the public housing.

**Table 1**  
**Net Assets**  
**June 30, 2004**

	<u>2004</u>
Current assets	\$40,785
Capital assets, net of depreciation	<u>219</u>
Total assets	<u>41,004</u>
Current liabilities	32,477
Long-term liabilities	<u>2,030</u>
Total liabilities	<u>34,507</u>
Net assets	
Invested in capital assets, net of related debt	219
Unrestricted	<u>6,278</u>
Total net assets	<u>\$6,497</u>



Housing Authority of the Town of Newellton

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Management's Discussion and Analysis (MD&A)  
June 30, 2004

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Table 2  
Changes in Net Assets  
For the Year Ended June 30, 2004

	<u>2004</u>
Revenues:	
Operating revenues	
Rent and other	\$ 0
Nonoperating revenues	
Interest earnings	244
Federal grants	<u>396,147</u>
Total nonoperating revenues	<u>396,391</u>
Expenses:	
Operating expenses	
Administration	49,250
General expenses	13,647
Housing assistance payments	332,796
Depreciation	823
Total operating expenses	<u>396,516</u>
Increase (decrease) in net assets	(125)
Net assets, beginning	<u>6,622</u>
Net assets, ending	<u>\$ 6,497</u>

Total revenues increased by \$18,240 due primarily to an increase in federal grants of \$18,440 and also an increase of \$44 in interest earnings for the year.

Total expenses increased \$16,616 due primarily to an increase in housing assistance payments of \$19,021. Depreciation expense increased by \$43, while administrative expenses and general expenses decreased by \$752 and \$1,696 respectively.

**ECONOMIC FACTORS** The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions.

**CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT** Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Ms. Kaylene Baker, P. O. Box 1021, Newellton, LA 71357-1021 or at (318) 467-2151 .

# **BASIC FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON

ENTERPRISE FUNDS  
 Combined Balance Sheet  
 June 30, 2004

Statement A

ASSETS

Current Assets

Cash and cash equivalents	\$ 40,785
Accounts receivable - HUD, net of allowance of \$-0-	<u>0</u>

Total Current Assets	<u>40,785</u>
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Fixed Assets

Portable building and equipment (net)	<u>219</u>
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TOTAL ASSETS	<u>41,004</u>
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LIABILITIES AND FUND EQUITY

Current Liabilities

Compensated absences payable	739
Accounts, salaries and other payables	<u>31,738</u>

Total Current Liabilities	32,477
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Noncurrent Liabilities

Compensated absences	<u>2,030</u>
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Total Liabilities	<u>34,507</u>
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Fund Equity

Retained earnings:

Unreserved	<u>6,497</u>
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Total Fund Equity	<u>6,497</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 41,004</u>
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THE NOTES TO THE FINANCIAL STATEMENTS ARE IN INTEGRAL PART OF THIS STATEMENT.

**HOUSING AUTHORITY OF THE TOWN OF NEWELLTON**

**ENTERPRISE FUNDS  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
For the Year Ended June 30, 2004**

	<b>Statement B</b>
	<b>BUSINESS-TYPE ACTIVITIES</b>
Operating revenues:	
Other	\$ <u>          0</u>
Total operating revenues	<u>                  0</u>
Operating expenses:	
Administration	49,250
General expenses	13,647
Housing assistance payments	332,796
Depreciation	<u>          823</u>
Total operating expenses	<u>          396,516</u>
Operating Income (loss)	<u>          (396,516)</u>
Nonoperating revenues (expenses)	
Interest earnings	244
Federal grants	<u>          396,147</u>
Total nonoperating revenues (expenses)	<u>          396,391</u>
Change in net assets	(125)
Total net assets - beginning	<u>          6,622</u>
Total net assets - ending	\$ <u>          6,497</u>

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

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON

ENTERPRISE FUNDS  
Statement of Cash Flows  
For the Year Ended June 30, 2004

Statement C

	<u>BUSINESS TYPE ACTIVITIES</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Other receipts	\$ 2,511
Payments to vendors	(3,104)
Payments to employees	(28,595)
Payments to private landlords	<u>(332,796)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(361,984)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	<u>396,147</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>396,147</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase fixed assets	<u>(129)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(129)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest and dividends	<u>244</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>244</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,278
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,507</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 40,785</u>

(CONTINUED)

HOUSING AUTHORITY OF THE TOWN OF NEWELLTON

ENTERPRISE FUNDS  
Statement of Cash Flows  
For the Year Ended June 30, 2004

Statement C

	<u>BUSINESS TYPE ACTIVITIES</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (396,516)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	823
Change in assets and liabilities:	
Receivables, net	2,511
Accounts payables	<u>31,198</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (361,984)</u>
	(CONCLUDED)

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

**Housing Authority of the Town of Newellton  
Notes to the Basic Financial Statements**

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**Housing Authority of the Town of Newellton**  
**Notes to the Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Housing Authority of the Town of Newellton have been prepared in conformity with accounting principles generally accepted in the United States of America (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. REPORTING ENTITY** Housing Authorities are chartered as public corporations under the laws LSA-R.S. 40:391 of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority of the Town of Newellton is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of the Town of Newellton, serve a term of four years.

The Housing Authority participates in a Section 8 housing assistance payment program. The housing choice voucher program provides assistance to low-income persons seeking housing by subsidizing rents between residents and owners of existing private housing. Under this program, the Housing Authority enters into housing assistance payment contracts with landlords. The program provides for a voucher which can be used by the resident to pay rent to any landlord he chooses.

The Housing Authority has the following units:

Section 8		
Housing Choice Vouchers	FW 2236	129

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the Housing Authority is legally separate and fiscally independent, the Housing Authority is a separate governmental reporting entity. The Housing Authority includes all funds, account groups, activities, et cetera, that are within the oversight responsibility of the Housing Authority.

The Housing Authority is a related organization of the Town of Newellton since the Town of Newellton appoints a voting majority of the Housing Authority's governing board. The Town of Newellton 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 Town of Newellton. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Town of Newellton.

Certain units of local government over which the Housing Authority exercises no oversight responsibility, such as the school board, parish police jury, other independently elected parish officials, and municipalities within the parish, are excluded from the accompanying general-purpose financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Housing Authority. In addition, the accompanying financial statements do not include various tenant associations which are legally separate entities.

**B. 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



**Housing Authority of the Town of Newellton  
Notes to the Basic Financial Statements**

legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are proprietary funds.

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.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING** 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, 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 Housing Authority adopted budgets for all funds. HUD approves all budgets for all HUD-funded programs. The budget is controlled by fund at the function level. Budgetary amendments require approval of the governing body.

All appropriations lapse at year-end.

**Encumbrances** Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded. Encumbrances are not recognized within the accounting records for budgetary control purposes.

Formal budget integration (within the accounting records) is not employed as a management control device.

**E. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agent. 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.

**F. CAPITAL ASSETS** Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The Housing Authority capitalizes all capital assets. Donated capital assets are recorded at their estimated fair value at date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the estimated useful lives:

Portable buildings	7 years
Furniture and equipment	3 years

**G. COMPENSATED ABSENCES** Employees may accumulate up to six weeks of sick and annual leave which may be received upon termination or retirement.

**Housing Authority of the Town of Newellton  
Notes to the Basic Financial Statements**

**H. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS** Deposits of the primary government are stated at cost which approximates market. Under state law, 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 year-end, the Housing Authority's carrying amount of deposits was \$40,785 and the bank balance was \$47,555. This bank balance was covered by federal depository insurance (GASB Category 1).

**NOTE 3 - CAPITAL ASSETS** The changes in capital assets for the year are as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Ending</u>
Depreciable assets:				
Portable building	\$10,725	\$ 0	\$0	\$10,725
Furniture and equipment	<u>9,987</u>	<u>129</u>	<u>0</u>	<u>10,116</u>
Total	<u>20,712</u>	<u>129</u>	<u>0</u>	<u>20,841</u>
Less accumulated depreciation:				
Portable building	10,725	0	0	10,725
Furniture and equipment	<u>9,074</u>	<u>823</u>	<u>0</u>	<u>9,897</u>
Total	<u>19,799</u>	<u>823</u>	<u>0</u>	<u>20,622</u>
Capital assets, net	<u>\$ 913</u>	<u>\$ (694)</u>	<u>\$0</u>	<u>\$ 219</u>

**NOTE 4 - COMPENSATED ABSENCE PAYABLE** The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

Balance at beginning of year	\$ 2,769
Additions	1,772
Deductions	<u>(1,772)</u>
Balance at end of year	<u>\$ 2,769</u>

There were no changes in compensated absences payable for current year due to the Housing Authority not maintaining leave records.

**NOTE 5 - CONTINGENCIES**

**Grant Disallowances** The Housing Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

**Housing Authority of the Town of Newellton  
Notes to the Basic Financial Statements**

**NOTE 6 - DEFINED CONTRIBUTION PLAN** The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the first anniversary date of employment. Each participant in the plan is required to make a monthly contribution equal to five percent of his effective compensation. The employer makes a monthly contribution equal to seven percent of each participant's effective compensation. The Housing Authority's contribution for each employee (and income allocated to the employee's account) are fully vested after five years of continuous service. The Housing Authority's contributions for and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

The Housing Authority currently has only one employee participating in the plan.

The Housing Authority's total payroll for the fiscal year ended June 30, 2004, was \$28,595. The total payroll for the covered employee was \$20,798. Both the Housing Authority and the covered employee made the required contributions, amounting to \$2,304.

**NOTE 7 - RISK MANAGEMENT** The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

**NOTE 8 - ECONOMIC DEPENDENCY** Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$396,147 to the Housing Authority, which represents approximately 99.93% of the Housing Authority's total revenue for the year.

**NOTE 9 - NEW FINANCIAL REPORTING MODEL** The Governmental Accounting Standards Board (GASB) issued Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments in June 1999. The Statement, commonly referred to as the new reporting model, retained much of the reporting under the present reporting model, with modifications, and added new information. The two most significant additions are the Management's Discussion and Analysis and the Government-Wide Financial Statements (GWFS). The most apparent modification to the format of the old reporting model that is being carried forward will be the display of major funds in the Fund Financial Statements (FFS), rather than the traditional fund-type display.

**Housing Authority of the Town of Newellton**

**SUPPLEMENTAL INFORMATION**

**Housing Authority of the Town of Newellton**

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

Mr. Edwin Britt, Chairman

Ms. Clara Bass

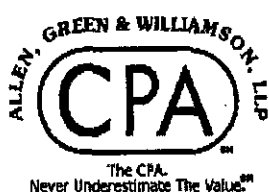
Mr. Billy Mitchell

Mr. Kenneth Morgan

Mr. David Delaney

**Housing Authority of the Town of Newellton**

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



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(Retired)  
1963 - 2000

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Board Members  
Housing Authority of the Town of Newellton  
Newellton, Louisiana

We have audited the financial statements of the Housing Authority of the Town of Newellton as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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.

### Management Letter Items

We noted matters involving internal control over financial reporting, which we have reported to management of the Housing Authority in a separate letter dated December 3, 2004.

### Compliance

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
December 3, 2004



**Housing Authority of the Town of Newellton**

**OTHER INFORMATION**

**Housing Authority of the Town of Newellton  
Summary Schedule of Prior Audit Findings  
June 30, 2004**

**PREFACE**

The Housing Authority was required to undergo a Single Audit for the year ended June 30, 2003. The Single Audit requires the auditor to review the status of the findings in the subsequent years. Even though the Housing Authority is not subject to a Single Audit for this fiscal year, nevertheless the Summary Schedule Status of Prior Audit Findings is included.

**Part II-Finding reference #:**    03-F1                    Inadequate Segregation of Duties

**Initially occurred:** Fiscal year ended June 30, 1996.

**Condition found:** Incompatible function should not be performed by one person to ensure any discrepancies will be noted in the normal course of business.

Nearly all functions of the Housing Authority are performed by the Executive Director and part-time employees. These functions include purchasing, disbursements, reconciliations, and recording of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures; the Executive Director and a member of the Board; however, the part-time employee is also allowed to sign checks.

**Corrective action taken:** HAP checks are created by the part-time employee and are written by the full-time employee. Accounts payable checks are written by full-time employee and signed by the chairman of the board and a board member. Bank reconciliations prepared by full-time employee are reviewed quarterly by the chairman of the board. The part-time employee no longer signs checks.

**Part III-Finding reference #:**    03-F2                    Inadequate Segregation of Duties

**Initially occurred:** Fiscal year ended June 30, 1996.

**Condition found:** Incompatible function should not be performed by one person to ensure any discrepancies will be noted in the normal course of business.

Nearly all functions of the Housing Authority are performed by the Executive Director and part-time employees. These functions include purchasing, disbursements, reconciliations, and recording of transactions. Some controls over receipts and disbursements do exist. Receipts from HUD are wire-transferred to the bank account. Checks require two signatures; the Executive Director and a member of the Board; however, the part-time employee is also allowed to sign checks.

**Corrective action taken:** HAP checks are created by the part-time employee and are written by the full-time employee. Accounts payable checks are written by full-time employee and signed by the chairman of the board and a board member. Bank reconciliations prepared by full-time employee are reviewed quarterly by the chairman of the board. The part-time employee no longer signs checks.

**Housing Authority of the Town of Newellton  
Summary Schedule of Prior Audit Findings  
June 30, 2004**

**Part III-Finding reference #: 03-F3      Resident Files**

**Initially occurred:** Fiscal year ended June 30, 2003.

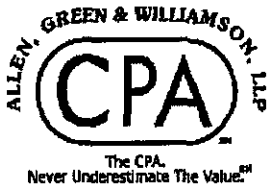
**Condition found:** The Housing Authority must reexamine family income and composition at least every twelve months and adjust the total rent and housing assistance payment as necessary (24CFR sections 5.617 and 960.209). Changes in the rent calculation resulting from a reexamination should be reflected on the rental register.

The Housing Authority is required to submit form 50058 electronically to HUD each time the Housing Authority completes an admission or reexamination. The following key line items contain critical information: effective date of action, names, dates of birth, social security numbers, unit address, unit inspection dates, total annual income, and gross rent of unit.

In testing of resident files, the following exceptions were noted:

- One file in which the HAP amount was not calculated correctly on form 50058.
- One file in which the HAP amount for one month was not paid.

**Corrective action taken:** The incorrect calculation was a software problem. The Housing Authority has changed its software program and made necessary corrections. When an owner/landlord does not sign the contract renewal forms when due a HAP payment is not created. Payment is rescheduled until all contract and other related forms are signed and in resident files. This is what happened in this matter; however, all payments have been made and the problem resolved.



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## Management Letter

Board Members  
Housing Authority of the Town of Newellton  
Newellton, Louisiana

In planning and performing our audit of the financial statements of the Housing Authority of the Town of Newellton for the year ended June 30, 2004, we considered the Housing Authority's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control that is presented for your consideration. This letter does not affect our report dated December 3, 2004, on the financial statements of the Housing Authority. We will review the status of these comments during our next audit engagement. Our comments and recommendations which have been discussed with appropriate members of management are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. Management's response has also been included. We have performed no audit work to verify the content of the responses.

### 04-M1 Fixed Assets Listing

**Comment:** The fixed assets listing is not maintained on a current basis and there is no capitalization threshold. Also, no items are tagged and there is no scrapping/disposal process.

**Recommendations:** The Housing Authority should set a capitalization threshold and establish procedures to ensure capital items exceeding the threshold are added to the listing and the items are tagged.

**Management's response:** A policy for capitalization of fixed assets will be written and submitted to the Board for approval.

### 04-M2 Compensated Absences

**Comment:** Leave records for compensated absences should be kept on the one full-time employee and be updated in a timely manner as each absence or leave occurs.

**Recommendations:** The Housing Authority should kept records for all absences, sick and vacation, and update the records in a timely manner so the balance reflects current liability to the Housing Authority. Leave should be approved by the Board for the one full-time employee.

**Management's Response:** The Housing Authority will keep updated records for sick and vacation leave for the one full-time employee. Leave for sick or vacation time taken will be approved by the Board in the future.

\* \* \* \* \*

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses.

Immediately following this letter is the Status of Prior Management Letter Item. This information has not been audited by Allen, Green & Williamson, LLP, and no opinion is expressed. However, we did follow-up on the prior management letter item and performed procedures to assess the reasonableness of the Status of Prior Management Letter Item prepared by the auditee, and we would report, as a current-year management letter item when Allen, Green & Williamson, LLP, concludes that the Status of Prior Management Letter Item materially misrepresents the status of any prior management letter item.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

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

*Allen Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
December 3, 2004

**Housing Authority of the Town of Newellton  
Status of Prior Management Letter Item  
June 30, 2004**

**Finding reference # and title: 03-M1 Fixed Assets Listing**

**Comment:** The fixed assets listing is not maintained on a current basis and there is no capitalization threshold. Also, no items are tagged and there is no scrapping/disposal process.

**Corrective action planned:** See management item 04-M1.