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**HOUSING AUTHORITY OF EAST BATON ROUGE PARISH
REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND SINGLE AUDIT
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

**5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471**

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 4-21-04

**HOUSING AUTHORITY OF EAST BATON ROUGE PARISH
 REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,
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 FOR THE YEAR ENDED SEPTEMBER 30, 2003**

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William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 985-845-7772
Fax 985-845-1313
E-mail danny@highperformer.net

Member of
Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Housing Authority of East Baton Rouge Parish
Baton Rouge, Louisiana

I have audited the accompanying basic financial statements of the Housing Authority of East Baton Rouge Parish (the "Authority") as of and for the year ended September 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Housing Authority of East Baton Rouge Parish's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of East Baton Rouge Parish at September 30, 2003 and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures as of July 1, 2002. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 23, 2004 on my consideration of the Housing Authority of East Baton Rouge Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

HOUSING AUTHORITY OF THE EAST BATON ROUGE PARISH

Baton Rouge, Louisiana

Independent Auditor's Report, 2003

Page Two

To the Board of Commissioners
Housing Authority of East Baton Rouge Parish

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards programs 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 also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Signature Valid

**William Daniel
McCaskill, CPA, APAC**

Digitally signed by William
Daniel McCaskill, CPA,
APAC
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McCaskill, CPA, APAC,
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William Daniel McCaskill, CPA
A Professional Accounting Corporation

March 23, 2004

**Housing Authority Of East Baton Rouge Parish
Management Discussion And Analysis
For The Year Ended September 30, 2003**

As management of the Housing Authority of East Baton Rouge Parish, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of East Baton Rouge Parish, 4731 North Boulevard, Baton Rouge, Louisiana 70806.

Financial Highlights

- The assets of the Authority exceeded its liabilities as of September 30, 2003 by \$20,152,226 (net assets)
- The Authority's cash and cash equivalent balance as of September 30, 2003 was \$766,635 representing an increase of \$76,087.
- The Authority had intergovernmental revenue of \$15,922,258 in HUD operating subsidies, \$758,331 in operating grants, and \$1,082,097 in capital grants for the year ended September 30, 2003.
- The Authority administers federal, state and local grants to benefit the low income and elderly citizens of East Baton Rouge Parish.
- The Authority received a 92% score related to their SEMAP for the fiscal year ended September 30, 2003.
- The Authority received a 24.67% score related to their unaudited electronic Financial Data Schedule submission to the HUD Real Estate Assessment Center (REAC) for the year ended September 30, 2003. This represents a decrease of approximately 3% from the audited electronic submission to HUD REAC for the year ended September 30, 2002.

Overview of Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's assets and liabilities at the end of the operating year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- Statement of Revenue, Expenses, and Change in Net Assets – the results of activity over the course of the current year. It details the costs associated with operating the Authority and how those costs were funded. It also provides an explanation of the change in net assets from the previous operating period to the current operating period.
- Statement of Cash Flows – reports the Authority's cash flows in and out from operating, investing and financing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the operating year.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provide in the financial statements. The notes to the financial statements begin on page 11 of this report.
- Other information in addition to the basic financial statements and accompanying notes, presents certain supplementary information regarding the Authority's electronic data submitted to HUD REAC. Supplementary information can be found beginning on page 9 of this report.

**Housing Authority Of East Baton Rouge Parish
Management Discussion And Analysis (continued)
For The Year Ended September 30, 2003**

Our analysis of the Authority as a whole begins on this page. The most important question asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenue, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. You can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

Total Assets for YE 2002 were \$22,721,527 and at YE 2003 the amount was \$22,252,620. This represents a net decrease of \$468,907. This decrease is the function of current depreciation exceeding capital outlays.

Current Assets increased by \$22,197.

Net Capital Assets decreased by \$555,152 because Accumulated Depreciation is lowering the values of capital assets. The Authority incurred approximately \$1,497,314 in capital outlays. The Authority realized a net decrease in capital assets because current depreciation exceeded capital outlays.

Current Liabilities increased from \$420,609 in YE 2002 to \$711,146 in YE 2003. This increase of \$290,537 was the result of increases in amounts outstanding at year-end in vendor accounts payable and increases in the amounts accrued for wages and related employee benefits payable.

Non-current Liabilities increased by \$40,760. This increase represents a change in the classification of amounts reported as long-term liabilities from the prior year.

Net Assets – The difference between an organization's assets and its liabilities is its net assets. Net assets are categorized as one of three types.

1. **Invested in capital assets, net of related debt** – Capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets;
2. **Restricted** – net assets whose use is subject to constraints imposed by law or agreement;
3. **Unrestricted** – net assets that are neither invested in capital assets nor restricted.

**Housing Authority Of East Baton Rouge Parish
Management Discussion And Analysis (continued)
For The Year Ended September 30, 2003**

Housing Authority of East Baton Rouge Parish Net Assets

	<u>2003</u>	<u>2002</u>
Current assets	<u>\$ 1,401,552</u>	<u>\$ 1,379,355</u>
Restricted assets	<u>196,072</u>	<u>132,024</u>
Capital assets (net)	<u>20,654,996</u>	<u>21,210,148</u>
Total assets	<u>22,252,620</u>	<u>22,721,527</u>
Current liabilities	<u>711,146</u>	<u>420,609</u>
Tenant security deposits	<u>114,928</u>	<u>132,652</u>
Long-term liabilities	<u>1,274,320</u>	<u>1,233,560</u>
Total Liabilities	<u>2,100,394</u>	<u>1,786,821</u>
Invested in capital assets (net)	<u>19,501,353</u>	<u>20,145,647</u>
Restricted Net Assets	<u>81,144</u>	<u>(628)</u>
Unrestricted Net Assets	<u>569,729</u>	<u>789,687</u>
Total Net Assets	<u>20,152,226</u>	<u>20,934,706</u>
Total Liabilities and Net Assets	<u>\$22,252,620</u>	<u>\$22,721,527</u>

In YE 2003 and YE 2002, total revenue was \$19,478,211 and \$18,857,998, respectively. Comparatively, YE 2003 revenue was more than YE 2002 revenue by \$620,213. The primary result was due to increases in HUD operating subsidies and operating grant revenues.

Total Operating Expenses increased by 5% in YE 2003 as compared to YE 2002. This is the net result of increases in Housing Assistance Payments made to landlords and general increases in administrative costs and repairs and maintenance and a decrease in depreciation expense.

Housing Assistance Payments increased by \$1,448,135 or 13% as compared to YE 2002.

Utilities decreased by \$119,006 or 9% as compared to YE 2002.

Maintenance expenditures increased by \$408,243 or 26% as compared to YE 2002. This is due to employee overtime and material costs incurred in unit turnaround efforts. The Authority also incurred costs associated related to two vacated HOPE VI sites that have been scheduled for renovation.

**Housing Authority Of East Baton Rouge Parish
Management Discussion And Analysis (continued)
For The Year Ended September 30, 2003**

Housing Authority of East Baton Rouge Parish Changes in Net Assets

	<u>2003</u>	<u>2002</u>
Revenues:		
Operating revenues:		
Annual contributions – HAP	<u>\$12,428,030</u>	<u>\$10,979,865</u>
HUD administrative fee	<u>1,245,600</u>	<u>1,159,724</u>
Public housing operating subsidy	<u>2,248,628</u>	<u>1,778,666</u>
Operating grants	<u>758,331</u>	<u>1,146,682</u>
Dwelling rental	<u>1,441,559</u>	<u>1,449,710</u>
Nonoperating revenues:		
Capital grants	<u>1,082,097</u>	<u>1,956,333</u>
Interest revenue	<u>3,896</u>	<u>20,142</u>
Miscellaneous	<u>270,070</u>	<u>366,876</u>
Total revenues	<u>19,478,211</u>	<u>18,857,998</u>
Expenses:		
Housing assistance payments	<u>12,082,713</u>	<u>10,979,865</u>
General and administrative	<u>2,298,446</u>	<u>2,215,832</u>
Repairs and maintenance	<u>1,955,580</u>	<u>1,547,337</u>
Utilities	<u>1,194,671</u>	<u>1,313,677</u>
Tenant services	<u>562,245</u>	<u>581,193</u>
Protection services	<u>34,390</u>	<u>24,573</u>
Depreciation and amortization	<u>2,085,726</u>	<u>2,547,045</u>
Nonoperating expenses:		
Interest expense	<u>44,866</u>	<u>-</u>
Miscellaneous	<u>2,054</u>	<u>-</u>
Total expenses	<u>20,260,691</u>	<u>19,209,522</u>
(Decrease) in net assets	<u>(782,480)</u>	<u>(351,524)</u>
Net assets – 10/1	<u>21,934,706</u>	<u>21,286,230</u>
Net assets – 9/30	<u>\$20,152,226</u>	<u>\$20,934,706</u>

**Housing Authority Of East Baton Rouge Parish
Management Discussion And Analysis (continued)
For The Year Ended September 30, 2003**

Capital Asset and Debt Administration

Capital assets. The Housing Authority of East Baton Rouge Parish's investment in capital assets as of September 30, 2003, amounts to 20,654,996 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total increase in the Housing Authority of East Baton Rouge Parish's investment in capital assets for the current operating year was 3%.

Housing Authority of East Baton Rouge Parish's Capital Assets

	<u>2003</u>	<u>2002</u>
Land	\$ 3,568,522	\$ 3,552,273
Buildings and improvements	49,879,551	48,180,163
Furniture and equipment	2,177,719	2,317,020
Total	<u>\$55,625,792</u>	<u>\$54,049,456</u>

Additional information on the Housing Authority of East Baton Rouge Parish's capital assets can be found in note 5 on page 15 of this report.

Long-term debt. At the end of the current year, the Housing Authority of East Baton Rouge Parish had total debt outstanding of \$1,153,643. This debt is backed by the full faith and credit of the Housing Authority.

Housing Authority of East Baton Rouge Parish's Outstanding Debt

	<u>2003</u>	<u>2002</u>
Mortgage note payable	\$ 528,387	\$ 542,311
CDBG & HOME program notes payable	625,256	522,190
Total	<u>\$1,153,643</u>	<u>\$1,064,501</u>

The balance of the total outstanding debt at year-end represents an increase from that of the previous year-end of \$89,142, or 8%. The Authority drew down an additional \$135,000 in CDBG HOME loan funds during 2003. The net increase is the net result of principal paid on debt existing at the beginning of the year and the additional CDBG HOME loan funds drawn down in the current year. More detailed information about the Authority's debt can be found on Note 6 in the accompanying Notes to the Financial Statements.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development,
- Local labor supply and demand, which can affect salary and wage rates,
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore tenant rental income,
- Inflationary pressure on utility rates, supplies and other costs.

Housing Authority of East Baton Rouge Parish
Statement of Net Assets
September 30, 2003

ASSETS

Current assets:

Cash and cash equivalent	\$ 766,635
Receivables:	
Intergovernmental	314,756
Tenant rents, net of allowance	30,262
Miscellaneous	13,730
Prepaid insurance	180,848
Inventory	95,321
Total current assets	<u>1,401,552</u>

Restricted assets:

Cash and cash equivalents	<u>196,072</u>
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Noncurrent assets:

Capital assets:	
Land	3,568,522
Buildings and improvements	49,879,551
Furniture and equipment	2,177,719
Less accumulated depreciation	<u>(34,970,796)</u>
Capital assets, net of accumulated depreciation	<u>20,654,996</u>
Total assets	<u>22,252,620</u>

LIABILITIES

Current Liabilities:

Accounts payable	317,656
Accrued wages payable	71,749
Accrued compensated absences	66,342
HUD liability	18,002
Other liability	188,671
Notes payable	48,726
Total current liabilities	<u>711,146</u>

Liabilities Payable from Restricted Assets:

Security deposit liability	<u>114,928</u>
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Noncurrent liabilities

Notes payable	1,104,917
Accrued compensated absences	82,373
Other liabilities	87,030
Total noncurrent liabilities	<u>1,274,320</u>

Total liabilities

2,100,394

Net Assets:

Invested in capital assets, net of related debt	19,501,353
Restricted	81,144
Unrestricted	569,729
Total net assets	<u>\$ 20,152,226</u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of East Baton Rouge Parish
Statement of Revenues, Expenses, and Changes In Net Assets
For the Year Ended September 30, 2003

Operating Revenues:	
Annual contributions - Housing Assistance Payments	\$ 12,428,030
HUD administrative fee	1,245,600
Public housing operating subsidy	2,248,628
Operating grants	758,331
Dwelling rental	<u>1,441,559</u>
Total operating revenues	<u>18,122,148</u>
Operating Expenses:	
Housing Assistance Payments	12,082,713
General and administrative	2,298,446
Repairs and maintenance	1,955,580
Utilities	1,194,671
Tenant services	562,245
Protection services	34,390
Depreciation and amortization	<u>2,085,726</u>
Total operating expenses	<u>20,213,771</u>
Operating (loss)	<u>(2,091,623)</u>
Nonoperating Revenues (Expenses):	
Capital grants	1,082,097
Interest revenue	3,896
Interest (expense)	(44,866)
Miscellaneous revenues	270,070
Miscellaneous expenses	<u>(2,054)</u>
Total nonoperating revenues	<u>1,309,143</u>
Change in net assets	(782,480)
Net assets, beginning of year, as restated	<u>20,934,706</u>
Net assets, end of year	<u>\$ 20,152,226</u>

The accompanying notes are an integral part of these financial statements.

**Housing Authority of East Baton Rouge Parish
Statement of Cash Flows
For the Year Ended September 30, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from federal subsidies	\$ 16,880,289
Receipts from tenants	1,419,234
Payments to landlords	(11,959,988)
Payments to suppliers	(3,538,199)
Payments to employees	<u>(2,460,936)</u>
Net cash provided by operating activities	<u>340,400</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from capital grants	1,082,097
Miscellaneous revenues	270,070
Miscellaneous (expenses)	<u>(2,054)</u>
Net cash provided by noncapital financing activities	<u>1,350,113</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase and construction of capital assets	(1,525,782)
Principal paid on long-term debt	(47,674)
Interest paid on long-term debt	<u>(44,866)</u>
Net cash (used in) capital and related financing activities	<u>(1,618,322)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>3,896</u>
Net cash provided by investing activities	<u>3,896</u>
Net (decrease) in cash and cash equivalents	<u>76,087</u>
Cash and cash equivalents - beginning of year	<u>690,548</u>
Cash and cash equivalents - end of year	<u>\$ 766,635</u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating (loss)	\$ (2,091,623)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization	2,085,726
Changes in assets and liabilities:	
Intergovernmental receivable, net	199,700
Tenant rents, net of allowance	(6,464)
Miscellaneous receivables	47,311
Prepaid insurance	(19,510)
Inventories	(35,123)
Restricted assets	(64,048)
Accounts payable	18,582
Accrued wages payable	61,406
Accrued compensated absences	7,346
HUD liability	18,002
Other liability	136,819
Security deposit liability	<u>(17,724)</u>
Net cash provided by operating activities	<u>\$ 340,400</u>

The accompanying notes are an integral part of these financial statements.

**Housing Authority of East Baton Rouge Parish
Notes To Financial Statements
September 30, 2003**

1. Summary of significant accounting policies

A. Reporting Entity

The Housing Authority of East Baton Rouge Parish (the "Authority") was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of East Baton Rouge Parish, Louisiana. This formation was contingent upon the approval of the local governing body of the Parish.

The Authority is governed by a Board of Commissioners (Board), which is composed of seven members. The Commissioners are appointed by the Baton Rouge Metropolitan Council and serve five-year staggered terms. The Board of the Authority exercises all powers granted to the Authority.

The Board has the final responsibility for:

1. Approving budgets.
2. Exercising control over facilities and properties.
3. Controlling the use of funds generated by the Authority
4. Approving the hiring and firing of key personnel
5. Financing improvements.

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consist of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The Authority is financially accountable for a component unit if it appoints a voting majority of the organization's board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, or impose specific financial burdens on the Authority. At September 30, 2003, the Authority had one entity that met the requirements as defined within GASB Statement No. 14.

Blended component unit. Partners for Progress (PFP) is a related non-profit Louisiana Corporation, which was created as an instrumentality of the Authority for the purpose of managing an 82-unit residential apartment complex (Wesley Chapel) (WC) as well as future acquired properties. As of September 30, 2003, all of WC's cash deposits and disbursements were accounted for within an account established with a local financial institution under the name of PFP. However, legal ownership has not been transferred to PFP as of September 30, 2003 and PFP is not currently managing any other properties. Based on this, management considers PFP inactive as of September 30, 2003. The Authority anticipates that PFP will take over the management of WC in the near future.

Housing Authority of East Baton Rouge Parish
Notes To Financial Statements (continued)
September 30, 2003

B. Government-wide financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the activities of the primary government and its component unit.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements by the provider have been met.

The accompanying financial statements include the activities of several Housing Programs subsidized by HUD. A summary of each significant HUD program is provided below.

Low-Income Housing Programs

The purpose of the low-income housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's capital funds programs. Funding of the program operations is provided via federal annual contribution contracts (operating subsidies) and tenant rents (determined as a percentage of family income, adjusted for family composition).

Housing Assistance Programs

The housing assistance payment programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal annual housing assistance contributions from HUD, which provide for the difference between the approved landlord contract rent and the rent paid by the tenant.

The government-wide financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Authority and its component unit, Partners for Progress maintain their accounts in accordance with the chart of accounts prescribed by the U.S. Department of Housing and Urban Development (HUD). For financial reporting purposes, the Authority reports all of its operations in a single enterprise fund and its component unit follows the governmental reporting model allowed by GASB statement No. 29.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed, to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The Authority also has the *option* of following subsequent private-sector guidance, subject to the same limitations. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are HUD Operating Subsidies, Section 8 Housing Assistance Subsidies, Section 8 Management Fees and tenant dwelling rents. Operating expenses include Section 8 Housing Assistance Payments, General and Administrative expenses, repairs and maintenance expenses, and depreciation and amortization on capital assets. All

Housing Authority of East Baton Rouge Parish
Notes To Financial Statements (continued)
September 30, 2003

revenues not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. New Accounting Standards Adopted

During the year ended September 30, 2003, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Housing Authority of East Baton Rouge Parish and its blended component unit Partners for Progress. This new reporting model requires management to provide a narrative and analysis to the ordinary user called the Management's Discussion and Analysis (MD&A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

E. Assets, liabilities, and net assets

I. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Authority are reported at fair value.

II. Inventory and prepaid items

All inventories are valued on a first-in first-out (FIFO) basis. Inventories consist of expendable building materials and supplies held for consumption in the course of the Authority's operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

III. Capital assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if

Housing Authority of East Baton Rouge Parish
Notes To Financial Statements (continued)
September 30, 2003

purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 years
Modernization and improvements	10 years
Furniture and equipment	5 years

IV. Due from other governments or agencies

Amounts due to the Authority by other governments or agencies are for grants or programs under which the services have been provided by the Authority.

V. Allowance for doubtful accounts

The Authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible. At September 30, 2003, the management of the Authority established an allowance for doubtful accounts of approximately \$5,907.

VI. Compensated absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and sick pay is accrued when incurred and reported as a liability.

VII. Grant Revenue

For financial reporting purposes, the Organization considers its HUD operating grants (Housing Assistance Payments) as operating revenue because these funds more closely represent revenues generated from operating activities than nonoperating activities.

VIII. 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 government-wide financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Housing Authority of East Baton Rouge Parish
Notes To Financial Statements (continued)
September 30, 2003

3. Net assets

Adjustment of net assets

As part of a comprehensive review of account activity, the Authority identified approximately \$83,656 in depreciation on capital assets and \$79,018 of additions to capital assets that should have been recognized in prior periods. Accordingly, net assets have been restated for the year ended September 30, 2002 from the reported balance of \$20,972,600 to \$20,967,962.

4. Deposits and investments

At September 30, 2003, the Authority's carrying amount of deposits was \$962,707 and the bank balance was \$1,048,120. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining balance of \$848,120 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

5. Capital assets

Capital assets activity for the year ended September 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Land	\$ 3,552,273	\$ 16,249	\$ -	\$ -	\$ 3,568,522
Building and improvements	48,180,163	1,378,024	-	321,364	49,879,551
Furniture and equipment	<u>2,317,020</u>	<u>103,045</u>	-	<u>(242,346)</u>	<u>2,177,719</u>
Total	<u>\$54,049,456</u>	<u>\$1,497,318</u>	<u>\$ -</u>	<u>\$ 79,018</u>	<u>\$55,625,792</u>
Less accumulated depreciation					
Building and improvements	\$31,011,515	\$1,998,085	\$ -	\$ -	\$33,009,600
Furniture and equipment	<u>1,789,899</u>	<u>87,641</u>	-	<u>83,656</u>	<u>1,961,196</u>
Total accumulated depreciation	<u>32,801,414</u>	<u>2,085,727</u>	-	<u>83,656</u>	<u>34,970,796</u>
Net Capital Assets	<u>\$21,248,042</u>	<u>\$ (588,408)</u>	<u>\$ -</u>	<u>\$ (4,638)</u>	<u>\$20,654,996</u>

6. Long-term debt

In March 2000, the Authority issued a note payable of \$567,000 for the remodeling of a commercial office building. The note bears interest at a rate of 8% for seven years with repricing every seven years at 150 basis points over the seven-year treasury rate. The note, which is secured by the rents and leases on the building, is payable in monthly installments through September 2020.

**Housing Authority of East Baton Rouge Parish
Notes To Financial Statements (continued)
September 30, 2003**

Note payable debt service requirements to maturity including \$449,158 of interest, are as follows:

<u>Year ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 14,976	\$ 42,570
2005	16,323	41,186
2006	17,702	39,807
2007	19,198	38,312
2008	20,714	36,795
Thereafter	<u>439,474</u>	<u>250,488</u>
Total	<u>\$528,387</u>	<u>\$449,158</u>

Principal
Balance at
9/30/2003

In November 2000, the Authority issued non-interest bearing CDBG HOME loan program notes payable of \$504,000, for the purchase and rehabilitation of the Wesley Chapel project. The note, which is secured by lien on the Wesley Chapel property and is payable in equal monthly installments through March 2022.

\$398,806

In November 2000, the Authority issued non-interest bearing CDBG HOME loan program notes payable of \$171,000, for the purchase and rehabilitation of the Wesley Chapel project. The note, which is secured by lien on the Wesley Chapel property and is payable in equal monthly installments through March 2022.

91,450

During the 2003 operating period, the Authority drew down an additional \$135,000 against its existing non-interest bearing CDBG HOME loan program notes, for the rehabilitation of the Wesley Chapel project. This amount is due and payable in accordance with the original terms of the notes issued on November 2000 and is secured by lien on the Wesley Chapel property.

135,000

Total CDBG HOME notes payable

\$625,256

It is noted that at times the PHA cannot confirm the amounts due to each of the CBGD & the HOME program. It can confirm the total due both. The City Parish government is the pass-thru entity and allocates monies to each program based on the grants available to the City Parish government at the time of the draw by the PHA.

7. Defined contribution plan

The Authority offers a defined contribution plan created in accordance with Internal Revenue Service Code Section 401(a) and administered by Broussard, Bush & Hurst. All full time employees are eligible to participate in the plan after twelve months of continuous employment. At September 30, 2003, there were 65 Defined Contribution Plan members. Members may contribute up to 10% of their salary. The Authority's contribution is discretionary and determined on a yearly basis at a rate of 12.5% of the plan participant's annual salary. During the year ended September 30, 2003, the Authority and the employees contributed \$151,455 and \$27,232, respectively, to the Plan. Provisions of the Plan may be amended by the Authority's Board. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries,

Housing Authority of East Baton Rouge Parish
Notes To Financial Statements (continued)
September 30, 2003

consequently, the Authority has no fiduciary responsibility, therefore, the net assets of the Plan are not included in the Authority's financial statements.

8. Annual contributions from HUD

Annual Contributions Contract FW-1281 - Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget.

Annual Contributions Contracts FW-2216 and FW-2059SRO - Annual Contributions for Section 8 programs provide for housing assistance payments to private owners of residential units on behalf of eligible low income families. The program provides for such payments with respect to existing vouchers, substantial and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. The Authority is also eligible to receive reimbursement for preliminary expenses prior to leasing.

HUD contributions for the year ended September 30, 2003 were as follows:

Section 8 Housing Choice Vouchers	\$13,255,373
Section 8 Substantial Rehabilitation	72,940
Section 8 Project Based Certificates	345,317
Low Rent Public Housing	2,285,467

9. HUD liability

The liability represents amounts due to HUD for excess housing assistance payments received by the Authority as calculated under the annual settlement agreements. The Authority's liability to HUD at September 30, 2003, was \$18,002.

10. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority's risk management program encompasses obtaining property and liability insurance.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

11. Miscellaneous revenues

Miscellaneous revenues are reported as non-operating revenues due to the nature of the transaction(s) whereby the revenue is recognized from a specific transaction or event rather than from the ongoing operations of the Authority. The Authority recognized \$270,070 in other income derived from various sources throughout the current year.

Housing Authority of East Baton Rouge Parish
Notes To Financial Statements (continued)
September 30, 2003

12. Current vulnerability due to certain concentrations

The Authority's operations are concentrated in the real estate market. The Authority owns and manages various sites, which consists of 1,324 conventional public housing units. Also, the Authority administers approximately 82 Section 8 Project Based Certificates, 2,377 Section 8 Housing Choice Vouchers and 24 Section 8 Substantial Rehabilitation units. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

13. Related party

A member of the Authority's Board is employed by the State of Louisiana. The Authority participates in a program administered by this Board member's office. The Authority's contract with this agency can be renewed on year-to-year basis unless the Authority is found to be noncompliant with the provisions of the contract. A separate office within the State monitors the program. During Board meetings in which matters arise related to this contract, the Board member abstains from voting.

14. Contingency

When the PHA acquired the Wesley Chapel (WC) property, one of the terms of the transaction was the HUD forgiveness of a Mark to Market note assumed by the PHA from the previous WC owner in the amount of \$726,366. As of FYE, HUD has not documented that the note has been forgiven. The PHA's position is that it fulfilled all of the terms of the acquisition and that the note is uncollectable. Accordingly, upon the acquisition of WC, the PHA reclassified the note amount to the Equity. No contingency has been recorded on the financial statements of the PHA because of this issue.

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Schedule 1 - Financial Data Schedule

PHA: LA003 FYED: 09/30/2003

Line Item No.	Account Description	Business Activities	M/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 1	Total
111	Cash - Unrestricted	\$30,624	\$78,039	\$133,940	\$0	\$0	\$0	\$370,653	\$0	\$0	\$153,379	\$766,635
113	Cash - Other Restricted	\$0	\$0	\$4,161	\$0	\$0	\$0	\$65,030	\$0	\$0	\$0	\$69,191
114	Cash - Tenant Security Deposits	\$0	\$0	\$106,881	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$106,881
100	Total Cash	\$30,624	\$78,039	\$244,982	\$0	\$0	\$0	\$455,683	\$0	\$0	\$153,379	\$962,707
122	Accounts Receivable - HUD Other Projects	\$0	\$10,802	\$0	\$400	\$0	\$171,195	\$78,111	\$29,178	\$0	\$0	\$290,686
124	Accounts Receivable - Other Government	\$0	\$0	\$24,070	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,070
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$7,645	\$0	\$0	\$0	\$6,085	\$0	\$0	\$0	\$13,730
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$28,967	\$0	\$0	\$0	\$2,251	\$0	\$0	\$4,951	\$36,169
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$5,907)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$5,907)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$10,802	\$54,775	\$400	\$0	\$171,195	\$87,447	\$29,178	\$0	\$4,951	\$358,748
142	Prepaid Expenses and Other Assets	\$1,062	\$0	\$151,741	\$0	\$0	\$0	\$20,188	\$0	\$0	\$7,657	\$180,648
143	Inventories	\$0	\$0	\$95,321	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$95,321
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$118,500	\$0	\$320,241	\$0	\$0	\$0	\$504,894	\$0	\$0	\$0	\$943,635
150	Total Current Assets	\$150,166	\$88,841	\$887,060	\$400	\$0	\$171,195	\$1,068,212	\$29,178	\$0	\$166,187	\$2,541,258
161	Land	\$110,500	\$0	\$3,275,672	\$0	\$0	\$16,250	\$0	\$0	\$0	\$166,100	\$3,568,522
162	Buildings	\$785,335	\$0	\$37,701,003	\$0	\$0	\$184,947	\$308,169	\$3,263,599	\$0	\$1,162,700	\$43,405,753
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$1,203,218	\$0	\$0	\$0	\$0	\$42,071	\$0	\$0	\$1,245,289
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$683,434	\$0	\$0	\$0	\$170,909	\$78,087	\$0	\$0	\$932,430
165	Leasehold Improvements	\$0	\$0	\$4,916,619	\$89,168	\$0	\$0	\$0	\$277,238	\$0	\$1,190,773	\$6,473,798
166	Accumulated Depreciation	(\$95,985)	\$0	(\$34,104,394)	(\$26,751)	\$0	\$0	(\$412,333)	(\$72,294)	\$0	(\$258,039)	(\$34,970,796)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$799,850	\$0	\$13,675,652	\$62,417	\$0	\$201,197	\$66,745	\$3,586,701	\$0	\$2,260,534	\$20,654,996
180	Total Non-Current Assets	\$799,850	\$0	\$13,675,652	\$62,417	\$0	\$201,197	\$66,745	\$3,586,701	\$0	\$2,260,534	\$20,654,996
190	Total Assets	\$950,036	\$88,841	\$14,542,612	\$62,817	\$0	\$372,392	\$1,134,957	\$3,617,879	\$0	\$2,426,721	\$23,196,255

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Schedule 1 - Financial Data Schedule

PHA: LA003 FYED: 09/30/2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	States/Local	Other Federal Program 1	Total
312	Accounts Payable <= 90 Days	\$568	\$0	\$136,259	\$0	\$0	\$140,420	\$39,000	\$0	\$0	\$1,840	\$318,087
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$55,801	\$0	\$0	\$0	\$14,109	\$0	\$0	\$0	\$69,910
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$44,344	\$0	\$0	\$0	\$19,790	\$0	\$0	\$2,207	\$66,341
325	Accrued Interest Payable	\$1,409	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,409
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$18,002	\$0	\$0	\$0	\$18,002
341	Tenant Security Deposits	\$0	\$0	\$106,599	\$0	\$0	\$0	\$0	\$0	\$0	\$0,330	\$114,929
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$14,976	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$33,750	\$48,726
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$188,671	\$0	\$0	\$0	\$188,671
347	Interprogram Due To	\$192,002	\$0	\$386,331	\$400	\$0	\$30,775	\$300,482	\$28,178	\$0	\$4,468	\$943,636
310	Total Current Liabilities	\$208,955	\$0	\$729,334	\$400	\$0	\$171,195	\$580,054	\$28,178	\$0	\$50,595	\$1,768,711
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$513,411	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$591,506	\$1,104,917
354	Accrued Compensated Absences - Non Current	\$0	\$0	\$62,740	\$0	\$0	\$0	\$19,633	\$0	\$0	\$0	\$82,373
353	Noncurrent Liabilities - Other	\$0	\$0	\$1,889	\$0	\$0	\$0	\$85,131	\$0	\$0	\$0	\$87,020
350	Total Noncurrent Liabilities	\$513,411	\$0	\$64,629	\$0	\$0	\$0	\$104,764	\$0	\$0	\$591,506	\$1,274,320
300	Total Liabilities	\$722,366	\$0	\$793,973	\$400	\$0	\$171,195	\$684,818	\$28,178	\$0	\$642,101	\$3,044,031
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$271,463	\$0	\$13,675,552	\$62,417	\$0	\$201,197	\$66,745	\$3,588,701	\$0	\$1,635,278	\$19,501,353
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	(\$43,793)	\$88,841	\$73,087	\$0	\$0	\$0	\$383,394	\$0	\$0	\$149,342	\$650,871
513	Total Equity/Net Assets	\$227,670	\$88,841	\$13,748,639	\$62,417	\$0	\$201,197	\$450,139	\$3,588,701	\$0	\$1,784,620	\$20,152,224
600	Total Liabilities and Equity/Net Assets	\$950,036	\$88,841	\$14,542,612	\$62,817	\$0	\$372,392	\$1,134,957	\$3,617,879	\$0	\$2,426,721	\$23,196,255

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Schedule 1 - Financial Data Schedule

PHA: LA003 FYED: 09/30/2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 1	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$1,369,087	\$0	\$0	\$0	\$0	\$0	\$0	\$12,472	\$1,381,559
704	Tenant Revenue - Other	\$0	\$0	\$184,518	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$184,518
705	Total Tenant Revenue	\$0	\$0	\$1,553,605	\$0	\$0	\$0	\$0	\$0	\$0	\$12,472	\$1,566,077
706	HUD PHA Operating Grants	\$0	\$72,940	\$2,248,028	\$178,478	\$0	\$47,140	\$13,255,373	\$494,380	\$0	\$345,317	\$16,642,256
706	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$201,197	\$0	\$880,900	\$0	\$0	\$1,082,097
708	Other Government Grants	\$0	\$0	\$38,332	\$0	\$0	\$0	\$0	\$0	\$47,646	\$0	\$85,978
711	Investment Income - Unrestricted	\$0	\$40	\$1,586	\$0	\$0	\$0	\$0	\$0	\$0	\$2,270	\$3,896
715	Other Revenue	\$94,467	\$0	\$43,530	\$0	\$0	\$0	\$4,076	\$0	\$0	\$3,479	\$145,552
700	Total Revenue	\$94,467	\$72,980	\$3,885,681	\$178,478	\$0	\$248,337	\$13,259,449	\$1,375,280	\$47,646	\$363,538	\$19,525,856

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH
 Schedule 1 - Financial Data Schedule
 PHA: LA003 FYED: 09/30/2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 1	Total
911	Administrative Salaries	\$0	\$0	\$537,069	\$0	\$0	\$37,074	\$274,580	\$0	\$0	\$46,399	\$895,122
912	Auditing Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$18,040	\$0	\$0	\$0	\$18,040
914	Compensated Absences	\$0	\$0	\$0	\$0	\$0	\$0	\$11,915	\$0	\$0	\$993	\$12,908
915	Employee Benefit Contributions - Administrative	\$0	\$0	\$111,226	\$0	\$0	\$0	\$36,848	\$0	\$0	\$4,914	\$152,988
916	Other Operating - Administrative	\$12,786	\$0	\$175,378	\$0	\$0	\$10,066	\$144,614	\$294,380	\$0	\$17,975	\$655,199
921	Tenant Services - Salaries	\$0	\$0	\$58,537	\$59,007	\$0	\$0	\$222,946	\$0	\$47,646	\$5,652	\$393,788
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$1,588	\$0	\$0	\$0	\$30,051	\$0	\$0	\$0	\$31,639
924	Tenant Services - Other	\$0	\$0	\$126,224	\$57,641	\$0	\$0	\$0	\$0	\$0	\$599	\$184,464
931	Water	\$0	\$0	\$84,381	\$0	\$0	\$0	\$0	\$0	\$0	\$5,668	\$90,049
932	Electricity	\$0	\$0	\$541,102	\$0	\$0	\$0	\$0	\$0	\$0	\$12,552	\$553,654
933	Gas	\$0	\$0	\$258,181	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$258,181
938	Other Utilities Expense	\$0	\$0	\$264,182	\$0	\$0	\$0	\$0	\$0	\$0	\$28,605	\$292,787
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$1,013,906	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,013,906
942	Ordinary Maintenance and Operations - Materials	\$0	\$0	\$124,798	\$0	\$0	\$0	\$0	\$0	\$0	\$49,623	\$174,422
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$348,885	\$61,830	\$0	\$0	\$0	\$0	\$0	\$14,231	\$424,946
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$223,636	\$0	\$0	\$0	\$0	\$0	\$0	\$19,877	\$243,513
951	Protective Services - Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,920	\$27,920
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,470	\$6,470
961	Insurance Premiums	\$0	\$0	\$313,523	\$0	\$0	\$0	\$154,935	\$0	\$0	\$15,599	\$484,057
962	Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$41,224	\$0	\$0	\$0	\$41,224
964	Bad Debt - Tenant Rents	\$0	\$0	\$38,908	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38,908
967	Interest Expense	\$44,866	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$44,866
969	Total Operating Expenses	\$57,652	\$0	\$4,221,525	\$178,478	\$0	\$47,140	\$935,153	\$294,380	\$47,646	\$257,077	\$6,039,051
970	Excess Operating Revenue over Operating Expenses	\$36,815	\$72,980	(\$335,844)	\$0	\$0	\$201,197	\$12,324,296	\$1,080,900	\$0	\$106,461	\$13,486,806
971	Extraordinary Maintenance	\$0	\$0	\$98,792	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$98,792
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$1,682	\$0	\$0	\$0	\$372	\$0	\$0	\$0	\$2,054
973	Housing Assistance Payments	\$0	\$59,881	\$0	\$0	\$0	\$0	\$12,022,832	\$0	\$0	\$0	\$12,082,713
974	Depreciation Expense	\$39,267	\$0	\$1,823,703	\$8,917	\$0	\$0	\$15,463	\$72,294	\$0	\$126,083	\$2,085,727
900	Total Expenses	\$96,919	\$59,881	\$6,145,702	\$187,395	\$0	\$47,140	\$12,973,820	\$366,674	\$47,646	\$383,160	\$20,308,337
1001	Operating Transfers In	\$0	\$0	\$400,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$400,000
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	(\$200,000)	(\$200,000)	\$0	\$0	(\$400,000)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$400,000	\$0	\$0	\$0	(\$200,000)	(\$200,000)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$2,452)	\$13,099	(\$1,860,021)	(\$8,917)	\$0	\$201,197	\$85,629	\$808,606	\$0	(\$19,622)	(\$782,481)

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Schedule 1 - Financial Data Schedule

PHA: LA003 FYED: 09/30/2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Revitalization of Severely Distressed Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 1	Total
1102	Funds	\$13,925	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,925
1103	Beginning Equity	\$230,122	\$75,742	\$13,683,276	\$89,168	\$1,989,695	\$0	\$340,260	\$2,780,095	\$0	\$1,804,242	\$20,972,600
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$1,925,384	(\$17,834)	(\$1,969,695)	\$0	\$24,250	\$0	\$0	\$0	(\$37,895)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$95,400	\$0	\$0	\$0	\$0	\$7,344,191	\$0	\$0	\$0	\$7,439,591
1114	Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$5,681,221	\$0	\$0	\$0	\$5,681,221
1115	Reserve	\$0	\$383,416	\$0	\$0	\$0	\$0	\$739,728	\$0	\$0	\$0	\$1,123,144
1116	Total Annual Contributions Available	\$0	\$478,816	\$0	\$0	\$0	\$0	\$13,765,140	\$0	\$0	\$0	\$14,243,956
1120	Unit Months Available	0	276	13,674	0	0	0	27,624	0	0	963	42,537
1121	Number of Unit Months Leased	0	274	12,292	0	0	0	28,259	0	0	929	39,754

HOUSING AUTHORITY OF THE PARISH OF EAST BATON ROUGE
 Baton Rouge, Louisiana
 Schedule of Expenditures of Federal Awards
 For Fiscal Year Ended September 30, 2003

<i>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</i>	<i>CFDA #</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Section 8 New Construction and Substantial Rehabilitation	14.182		\$ 72,940
Low Rent Public Housing	14.850a		2,248,628
Public and Indian Housing Drug Elimination Program	14.854		178,478
Demolition and Revitalization of Severely Distressed Public Housing	14.866		248,337
Resident Opportunity and Supportive Services	14.870		7,620
Housing Choice Voucher Program	14.871		13,255,373
Public Housing Capital Fund Program	14.872		1,375,280
Wesley Chapel - Other Federal Program 1	14.195		345,317
Low Income Public Housing Service Coordinators			30,712
Passed-through the City of Baton Rouge			
Home Investment Partnerships Program	14.239		135,935
 Total Federal Expenditures			 <u>\$ 17,898,620</u>

**Housing Authority of East Baton Rouge Parish
Notes To Schedule Of Expenditures Of Federal Awards Programs
For The Year Ended September 30, 2003**

NOTE A – General

The Schedule of Expenditures of Federal Awards Programs included herein represents all of the Federal grant awards of the Housing Authority of East Baton Rouge Parish (the "Authority") over which the Authority exercised direct operating control for the year ended September 30, 2003.

NOTE B – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards Programs is presented using the accrual basis of accounting and includes expenses incurred by the Authority during its fiscal year October 1, 2002 to September 30, 2003.

NOTE C – Scope of audit pursuant to OMB CIRCULAR A-133

All Federal grant operations of the Authority are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement* (Revised March 2003, the "Compliance Supplement"). Compliance testing of all requirements, as described in the *Compliance Supplement*, was performed for the grant programs noted below. These programs represent all Federal award programs with fiscal 2003 cash and noncash expenditures in excess of \$549,448 that ensure coverage of at least 50% of Federally granted funds. Actual coverage is approximately 72% of total cash and noncash Federal award program expenses.

<u>Major Federal Award Program Description</u>	<u>Fiscal 2003 Expenses</u>
14.872 Housing Choice Vouchers	\$13,255,280

NOTE D – Findings of noncompliance

See schedule of findings and questioned for findings of noncompliance identified in connection with the September 30, 2003 Single Audit.

NOTE E – Audits performed by other organizations

During the year ended September 30, 2003, there were no audits of the Authority's Administration of Federal Financial Assistance Program performed by the Office of the Inspector General of the Department of Housing and Urban Development or the HUD office of Public Housing, State of Louisiana office.

NOTE F - DEBT- At year-end, the equity section of the balance sheet included \$11,011,053 of Long Term HUD Guaranteed Debt.

Included in the accompanying financial statements relating to the Section 8 Project based program is a HOME an CDBG loan. The combined principal balances at year-end were \$625,256.

William Daniel McCaskill, CPA

A Professional Accounting Corporation

5150 Highway 22, Suite C-14

Mandeville, Louisiana 70471

Telephone 985-845-7772
Fax 985-845-1313
E-mail danny@highperformer.net

Member of
Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

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

To the Board of Commissioners of
Housing Authority of East Baton Rouge Parish
Baton Rouge, Louisiana

We have audited the basic financial statements of the Housing Authority of East Baton Rouge Parish (the "Authority") as of and for the year ended September 30, 2003, and have issued our report thereon dated March 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 Authority's basic 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 one instance of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record and process financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-2.

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Baton Rouge, Louisiana
Independent Auditor's Report
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Page Two

To the Board of Commissioners
Housing Authority of East Baton Rouge Parish

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 basic 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. Of the reportable conditions described above, we consider item 2003-2 to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Signature Valid

William Daniel McCaskill, CPA, APAC

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William Daniel McCaskill, CPA
A Professional Accounting Corporation

March 23, 2004

William Daniel McCaskill, CPA
A Professional Accounting Corporation
5150 Highway 22, Suite C-14
Mandeville, Louisiana 70471

Telephone 985-845-7772
Fax 985-845-1313
E-mail danny@highperformer.net

Member of
Louisiana Society of CPA's
Mississippi Society of CPA's
American Institute of CPA's

**INDEPENDENT AUDITORS'
REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARDS PROGRAM**

To the Board of Commissioners of
Housing Authority of East Baton Rouge Parish
Baton Rouge, Louisiana

Compliance

We have audited the compliance of the Housing Authority of East Baton Rouge Parish (the "Authority") 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 Authority'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 Authority's management. Our responsibility is to express an opinion on the Authority'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; 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 Authority's compliance with those requirements and performing such other procedures as we considered 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 Authority's compliance with those requirements.

As described in items 2003-1 and 2003-2 in the accompanying schedule of findings and questioned costs, the Authority did not comply with the requirements regarding eligibility, allowable costs and reporting that are applicable to its Section 8 programs. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority
HOUSING AUTHORITY OF THE EAST BATON ROUGE PARISH

Baton Rouge, Louisiana
Independent Auditor's Report
on Compliance...A-133, 2002
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To the Board of Commissioners
Housing Authority of East Baton Rouge Parish

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.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal awards 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2.

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 law, regulations, contracts and grants that would be material in relation to a major federal award program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Of the reportable conditions described above, we consider items 2003-1 and 2003-2 to be material weaknesses.

This report is intended solely for the information and use of the Authority's Board of Commissioners and management, others within the organization and 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.



Signature Valid

William Daniel McCaskill, CPA, APAC

William Daniel McCaskill, CPA
A Professional Accounting Corporation

Digitally signed by William Daniel
McCaskill, CPA, APAC
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March 23, 2004

SCHEDULE 3

Housing Authority of East Baton Rouge
Baton Rouge, Louisiana
Schedule of Compensation Paid Board Members
For Fiscal Year Ended September 30, 2003

Joyce Jones	450
Mary McCoy	450
Total	<u><u>\$ 900</u></u>

Members receive \$50 per meeting attended.

**HOUSING AUTHORITY OF
EAST BATON ROUGE PARAISH**
Baton Rouge, Louisiana

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

Finding 2002-1

Condition

At year-end, the book balance of the Low Rent checking account was (\$81,697) and the tenant security deposit liability account totaled \$124,323. Therefore, it appears that restricted cash was used to fund operations. At FYE, the HCV program did not have an adequate bank balance in the FSS escrow account.

Current Status

This finding is cleared

Finding 2002-2

Condition

Review of Voucher Choice Program tenant files revealed instances where the tenant files were deficient.

Current Status

This is repeated as Finding 2003-1

Finding 2002-3

Condition

The PHA's responses to SEMAP items 1b, 2b, and 3 could not be adequately documented.

Current Status

This finding is cleared

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Baton Rouge, Louisiana

Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2003

Summary Schedule of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the authority.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance with Government Auditing Standards. The condition is reported as a material weakness.
3. One instance of noncompliance material to the financial statements of the authority, which would be required to be reported in accordance with Government Auditing Standards, is disclosed during the audit.
4. Two reportable conditions disclosed during the audit of internal control over major federal award programs are reported in the Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133. The conditions are reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the authority expresses a qualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as major program included:
 1. 14.871 Housing Choice Vouchers
8. The threshold used for distinguishing between Type A and B programs was \$549,448.
9. The authority did not qualify as a low-risk auditee.

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Baton Rouge, Louisiana

Schedule of Current Audit Findings and Questioned Costs (continued)

Fiscal Year Ended September 30, 2003

SECTION III—FEDERAL AWARDS FINDING

FINDING 2003-1

Program Affected—Housing Choice Vouchers

CFDA Number – 14.871

Federal Agency – HUD

Federal Award Number – FW 2216

2003 Year

Condition

Our testing of 40 HCV tenant files resulted in the following deficiencies noted:

2 with inadequate 3rd party income verification and no reason listed why

3 without current HQS inspection forms

7 without timely annual re-examinations

1 file's HAP payment did not agree with the 50058 on file

Criteria

The ACC and the CFR describe minimal tenant file documentation required to be maintained by the PHA.

Cause

PHA staff is not adequately following Federal regulations and the PHA's Admissions and Continuing Occupancy Policy.

Effect

The PHA may not be adequately staffed and current staff may not be adequately trained.

PHA Response

See Corrective Action Plan

HOUSING AUTHORITY OF

EAST BATON ROUGE PARISH

Baton Rouge, Louisiana

Schedule of Current Audit Findings and Questioned Costs (continued)

Fiscal Year Ended September 30, 2003

SECTION II—FINANCIAL STATEMENT and SECTION III—FEDERAL AWARDS FINDING

FINDING 2003-2

Housing Choice Voucher Program
CFDA # 14.871
Federal Fiscal Year 2003

Condition

The PHA left old outstanding checks on the bank reconciliation in the amount of \$225,344 as of FYE. These checks were written for Housing Assistance Payments (HAP) to landlords and Utility Allowance Payments (UAP) to residents. Some of these checks were over a year old when the check hard copy is only good for 90 days.

Criteria

It is generally accepted that stale outstanding be returned to cash in a timely manner. Internal control policies should include a timeline for voiding such checks and a policy for supervisory review of bank reconciliations to ensure that the policy is followed.

Cause

The authority's controls surrounding cash are inadequate.

Effect

The condition had the following effects on the 2003 financial statements:

- Cash is understated as of September 30, 2003 by \$188,671
- Federal grant revenue and expenses are overstated for the year ended September 30, 2003.
- Further, due to checks that were issued prior to the fiscal year 2003, beginning cash was understated.
- Accounts payable to HUD was understated as of September 30, 2003 by \$188,671

Questioned Costs—\$188,671

Recommendations

The PHA should revise their policies to include the procedures described above. The procedures should be implemented immediately. The PHA should analyze the referenced outstanding checks and inquire of HUD as to the resolution. HUD must follow up on this issue and advise the PHA how to pay the money back to HUD.

PHA Response

See Corrective Action Plan

HOUSING AUTHORITY OF EAST BATON ROUGE PARISH

Baton Rouge, Louisiana
Corrective Action Plan for Current Year Findings
For Fiscal Year Ended September 30, 2003

FINDING—FEDERAL AWARD PROGRAMS AUDITS

2003-1

Action Planned: The HCV Program director continues to make progress in reorganizing and training PHA staff. This is reflected in the reduction of deficiencies found. Staff is receiving internal as well as professional training. The PHA is reevaluating the number of staff as well as the staffing level and will address as needed. Internal monitoring by the HCV program director will be increased.

Person Responsible: Richard Murray

Anticipated Completion Date: September 30, 2004

FINDING—FINANCIAL STATEMENTS AUDIT AND FEDERAL AWARD

2003-2

Action Planned: The PHA staff became aware of this issue prior to audit and had already began addressing by writing off old checks, which will reduce the payable to zero. The PHA will establish written procedures and guidelines and incorporate into its internal control/cash policy.

Person Responsible: Richard Murray

Anticipated Completion Date: This action will be completed by April 2004.