

**Tallulah Housing Authority
Tallulah, Louisiana**

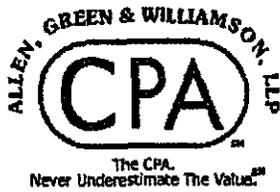
**Annual Financial Report
As of and for the Years Ended
December 31, 2009 and 2008**

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 10/13/10

**Tallulah Housing Authority
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Tallulah Housing Authority
Tallulah, Louisiana

We have audited the accompanying financial statements of the Tallulah Housing Authority, a component unit of the City of Tallulah, as of and for the year ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Housing Authority as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the years 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 October 1, 2010, 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 grant 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 our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

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Our audit was performed for the purpose of forming an opinion on the Housing Authority's basic financial statements. The accompanying supplemental information identified in the table of contents as other supplemental information and the Schedule of Expenditures of Federal Awards, as required by OMB Circular A-133, are presented for purposes of additional analysis and are 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

October 1, 2010

Tallahassee Housing Authority

REQUIRED SUPPLEMENTAL INFORMATION

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

Tallahassee Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2009

As management of the Housing Authority, we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended December 31, 2009. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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.

FINANCIAL HIGHLIGHT

The liabilities of the Housing Authority exceeded its assets at the close of the most recent fiscal year by \$247,786 (negative net assets).

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) fund 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 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 funds of the Housing Authority are reported as proprietary fund type.

**Tallahassee Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2009**

USING THIS ANNUAL REPORT The Housing Authority's annual report consists 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

Basic Financial Statements

**Notes to the Basic Financial
Statements**

Supplemental Information
Schedule of Compensation Paid Board Members
Schedule of Reserve Funding
Schedule of Aging Accounts Payable
Schedule of Rental Information
Schedule of Budget vs. Unadjusted-Cash Basis
Proposed Budget-Cash Basis
Schedule of Insurance Coverage

Single Audit Information

Other Information
Summary Schedule of Prior Audit Findings
Corrective Action Plan for Current-Year Findings and Questioned Costs
Management Letter

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.

Tallahassee Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2009

Reporting the Housing Authority's Fund The Housing Authority's financial statements provide detailed information about the enterprise fund. The Housing Authority's enterprise funds use the following accounting approach:

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.

The Housing Authority has two funds in 2009 which are Martin Luther King (MLK) - that accounts for the Martin Luther King Apartments and Other Enterprise which accounts for other housing activities.

FINANCIAL ANALYSIS The Housing Authority's net assets were (\$247,786) at December 31, 2009. Our analysis below focuses on the net assets and the change in net assets of the Housing Authority as a whole.

Table 1
Net Assets
(in thousands)

	<u>2009</u>	<u>2008</u>
Current assets	\$ 36	\$ 17
Restricted current assets	30	16
Capital assets, net	984	1,068
Total assets	<u>1,050</u>	<u>1,101</u>
Current liabilities		
Current liabilities payable from current assets	20	38
Current liabilities payable from restricted assets	36	34
Long-term liabilities	1,242	1,252
Total liabilities	<u>1,298</u>	<u>1,324</u>
Net assets		
Invested in capital assets, net of related debt	(268)	(194)
Restricted	21	10
Unrestricted	(1)	(39)
Total net assets	<u>\$ (248)</u>	<u>\$ (223)</u>

Tallulah Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2009

Table 2
Changes in Net Assets
(in thousands)

	<u>2009</u>	<u>2008</u>
Revenues/capital contributions:		
Operating revenues		
Rent and other	\$ 94	\$ 48
Nonoperating revenues		
Federal grants	153	143
Total revenues/capital contributions	<u>247</u>	<u>191</u>
Expenses:		
Operating expenses		
Administration	66	63
Operating and maintenance	65	63
Utilities	8	9
Insurance	11	11
Depreciation	85	86
Tenants utility allowance	2	6
Other operating expense	1	6
Interest expense	34	34
Total expenses	<u>272</u>	<u>278</u>
Increase (decrease) in net assets	<u>\$ (25)</u>	<u>\$ (87)</u>

Total revenues increased by \$56 from prior year due to the following:

- The Martin Luther King fund increased due to an increase in rental assistance.
- The Other Enterprise fund is a new fund for 2009 in which the revenue was from local fees received for tax credit activity.

Total expenses decreased by \$6 from 2008 due to the following:

- The Martin Luther King fund decreased \$13 due to decreases in administrative costs and tenant utility allowances.
- The Other Enterprise fund had an increase of \$7 in administrative costs.

**Tallulah Housing Authority
Management's Discussion and Analysis (MD&A)
December 31, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2009, the Housing Authority had \$2,201,784 invested in capital assets, including land, buildings, site improvements, furniture and equipment. This amount represents an increase (including additions and deductions) of \$864 or less than .04% from last year. See Note 4 to the financial statements for more detail on capital assets.

	<u>2009</u>	<u>2008</u>
Land	\$ 38,008	\$ 38,008
Buildings and building improvements	2,061,916	2,061,462
Furniture and equipment	101,860	101,450
Totals	<u>\$ 2,201,784</u>	<u>\$ 2,200,920</u>

Debt

At December 31, 2009, the Housing Authority had \$1,252,291 in long-term debt which consists of loans to the USDA. See Note 6 for more detail on debt.

ECONOMIC FACTORS The Housing Authority is primarily dependent upon USDA 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 Mayor Eddie Beckwith, at the City of Tallulah, 204 North Cedar, Tallulah, Louisiana 71282, telephone number (318) 574-0964.

Tallahassee Housing Authority

BASIC FINANCIAL STATEMENTS

TALLULAH HOUSING AUTHORITY

ENTERPRISE FUNDS
Comparative Balance Sheet
December 31, 2009 and 2008

Statement A

BUSINESS-TYPE ACTIVITIES

	MARTIN LUTHER KING 2009	OTHER ENTERPRISE 2009	TOTAL 2009	TOTAL MLK ONLY 2008
ASSETS				
Current assets:				
Cash & cash equivalents	\$ 2,352	\$ 0	\$ 2,352	\$ 554
Accounts receivable, net	12,160	18,460	30,620	12,737
Prepaid insurance	2,884	0	2,884	2,884
Restricted cash and cash equivalents	30,118	0	30,118	16,449
Total current assets	<u>47,514</u>	<u>18,460</u>	<u>65,974</u>	<u>32,624</u>
Noncurrent assets:				
Capital Assets:				
Land, buildings, and equipment	2,201,784	0	2,201,784	2,200,920
Less accumulated depreciation	<u>(1,217,579)</u>	<u>0</u>	<u>(1,217,579)</u>	<u>(1,132,633)</u>
Total noncurrent assets	<u>984,205</u>	<u>0</u>	<u>984,205</u>	<u>1,068,287</u>
Total assets	<u>1,031,719</u>	<u>18,460</u>	<u>1,050,179</u>	<u>1,100,911</u>
LIABILITIES				
Current liabilities:				
Current liabilities (payable from current assets) accounts payable, vendors	13,332	6,800	20,132	38,365
Current liabilities (payable from restricted assets)				
Security deposits	8,941	0	8,941	6,846
Housing revenue note payable	5,569	0	5,569	4,967
Loan payable	4,882	0	4,882	4,604
Interest payable	<u>16,601</u>	<u>0</u>	<u>16,601</u>	<u>17,041</u>
Total current liabilities	49,325	6,800	56,125	71,823
Noncurrent liabilities:				
Housing revenue note payable	512,744	0	512,744	518,313
Loans payable	<u>729,096</u>	<u>0</u>	<u>729,096</u>	<u>733,978</u>
Total noncurrent liabilities	<u>1,241,840</u>	<u>0</u>	<u>1,241,840</u>	<u>1,252,291</u>
Total liabilities	<u>1,291,165</u>	<u>6,800</u>	<u>1,297,965</u>	<u>1,324,114</u>
NET ASSETS				
Invested in capital assets, net of related debt	(268,086)	0	(268,086)	(193,575)
Restricted - expendable				
Reserve funding	20,303	0	20,303	5,629
Tax and insurance	874	0	874	3,974
Unrestricted	<u>(12,537)</u>	<u>11,660</u>	<u>(877)</u>	<u>(39,231)</u>
Total Net Assets	<u>(259,446)</u>	<u>11,660</u>	<u>(247,786)</u>	<u>(223,203)</u>
Total liabilities and net assets	<u>\$ 1,031,719</u>	<u>\$ 18,460</u>	<u>\$ 1,050,179</u>	<u>\$ 1,100,911</u>

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

TALLULAH HOUSING AUTHORITY

ENTERPRISE FUNDS

Comparative Statements of Revenues, Expenses,
and Changes in Fund Net Assets
For the Years Ended December 31, 2009 and 2008

Statement B

BUSINESS-TYPE ACTIVITIES

	MARTIN LUTHER KING 2009	OTHER ENTERPRISE 2009	TOTAL 2009	TOTAL MLK ONLY 2008
OPERATING REVENUES				
Rental income	\$ 55,577	\$ 0	\$ 55,577	\$ 42,388
Other operating revenues	20,571	18,460	39,031	5,926
Total operating revenues	76,148	18,460	94,608	48,314
OPERATING EXPENSES				
Administrative	58,801	6,800	65,601	63,163
Operating and maintenance	64,940	0	64,940	63,373
Utilities	7,958	0	7,958	8,808
Insurance	10,993	0	10,993	11,511
Depreciation	84,946	0	84,946	85,663
Tenants utility allowance	2,781	0	2,781	6,473
Other operating expense	1,542	0	1,542	5,980
Total operating expenses	231,961	6,800	238,761	244,971
Operating Income (Loss)	(155,813)	11,660	(144,153)	(196,657)
NON-OPERATING REVENUES (Expenses)				
Federal Grants - Farmers Home Administration:				
Rental assistance	108,727	0	108,727	99,268
Loan subsidy	44,463	0	44,463	44,349
Interest earned on deposits	22	0	22	26
Interest expense	(33,642)	0	(33,642)	(34,481)
Total non-operating revenues (expenses)	119,570	0	119,570	109,162
Change in Net Assets	(36,243)	11,660	(24,583)	(87,495)
TOTAL NET ASSETS - BEGINNING	(223,203)	0	(223,203)	(135,708)
TOTAL NET ASSETS - ENDING	\$ (259,446)	\$ 11,660	\$ (247,786)	\$ (223,203)

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

TALLULAH HOUSING AUTHORITY

ENTERPRISE FUNDS
Comparative Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

Statement C

BUSINESS TYPE ACTIVITIES

	MARTIN LUTHER KING	OTHER ENTERPRISE	TOTAL 2009	TOTAL MLK 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Rental receipts	\$ 56,154	\$ 0	\$ 56,154	\$ 40,373
Other receipts/payments	3,726	0	3,726	5,926
Payments to vendors	(117,185)	0	(117,185)	(101,966)
Payments to employees	(35,923)	0	(35,923)	(37,498)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(93,228)</u>	<u>0</u>	<u>(93,228)</u>	<u>(93,165)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal grants	<u>153,190</u>	<u>0</u>	<u>153,190</u>	<u>143,617</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>153,190</u>	<u>0</u>	<u>153,190</u>	<u>143,617</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase fixed assets	(864)	0	(864)	(10,937)
Principal payment	(9,571)	0	(9,571)	(8,772)
Interest paid on bonds	(34,082)	0	(34,082)	(34,481)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(44,517)</u>	<u>0</u>	<u>(44,517)</u>	<u>(54,190)</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Interest and dividends	<u>22</u>	<u>0</u>	<u>22</u>	<u>26</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>22</u>	<u>0</u>	<u>22</u>	<u>26</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,467	0	15,467	(3,712)
CASH AND CASH EQUIVALENTS, YEAR BEGINNING	<u>17,003</u>	<u>0</u>	<u>17,003</u>	<u>20,715</u>
CASH AND CASH EQUIVALENTS, YEAR ENDING	<u>\$ 32,470</u>	<u>\$ 0</u>	<u>\$ 32,470</u>	<u>\$ 17,003</u>
RECAP CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	\$ 2,352	\$ 0	\$ 2,352	\$ 554
Restricted cash and cash equivalents	<u>30,118</u>	<u>0</u>	<u>30,118</u>	<u>16,449</u>
	<u>\$ 32,470</u>	<u>\$ 0</u>	<u>\$ 32,470</u>	<u>\$ 17,003</u>

(CONTINUED)

TALLULAH HOUSING AUTHORITY
ENTERPRISE FUNDS
Comparative Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

Statement C

BUSINESS TYPE ACTIVITIES

	MARTIN LUTHER KING	OTHER ENTERPRISE	TOTAL 2009	TOTAL MLK 2008
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (155,813)	\$ 11,660	\$ (144,153)	\$ (196,657)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	84,946	0	84,946	85,663
Change in assets and liabilities:				
Receivables, net	577	(18,460)	(17,883)	(2,015)
Prepaid insurance	0	0	0	(170)
Deposits returnable	0	0	0	745
Accounts payable	(25,033)	6,800	(18,233)	16,378
Customer deposits	2,095	0	2,095	2,891
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (93,228)	\$ 0	\$ (93,228)	\$ (93,165)

(CONCLUDED)

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

Tallahassee Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

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Tallulah Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The Tallulah Housing Authority was created by ordinance of the City of Tallulah on March 11, 1976, as authorized by Louisiana Revised Statute 40:391. The Housing Authority is governed by a five-member board appointed by the City. Board members serve five-year terms without benefit of compensation.

A. REPORTING ENTITY As the governing authority of the city, for reporting purposes, the City of Tallulah is the financial reporting entity for the city. The financial reporting entity consists of (a) the primary government (city), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity are financial accountability. This criteria includes:

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

Because the city appoints the governing body of the Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Housing Authority and do not present information on the city, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

In August 2008, Tallulah Madison Housing Partners Limited Partnership I (Partnership I) was created as a legally separate entity. One of the General Partners of the partnership was Tallulah Housing Authority, which had .05% interest. The Board of Commissioners of the Housing Authority had given the Mayor of the City of Tallulah the authority to oversee the Partnership I and act in behalf of the Housing Authority. In addition, there is the potential for Partnership I to impose financial burden on the Housing Authority. Based on the above, Partnership I is considered to be a discretely presented component unit. However, in December 2009, the Housing Authority withdrew from Partnership I, in which Tallulah Madison, LLC became the General Partner. The Housing Authority has 49% ownership in Tallulah Madison, LLC. The Housing Authority does not have voting majority; therefore, Partnership I is not considered to be a discretely presented component unit. The Partnership I received funding through a loan in the amount \$60,925 in August 2008. Although the Housing Authority no longer has majority interest in Partnership I, the Housing Authority remains the guarantor of the loan.

In December 2008, Tallulah Madison Housing Partners Limited Partnership II (Partnership II) was created as a legally separate entity. One of the General Partners of the partnership was Tallulah Housing Authority, which had .05% interest. The Board of Commissioners of the Housing Authority had given the Mayor of the City of Tallulah the

Tallulah Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

authority to oversee the Partnership II and act in behalf of the Housing Authority. In addition, there is the potential for Partnership II to impose financial burden on the Housing Authority. Based on the above, Partnership II is considered to be a discretely presented component unit. Partnership II did not have any financial activity during the fiscal year ended December 31, 2009; therefore, no financial statements were issued.

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 purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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. The proprietary funds include the following:

Martin Luther King (MLK) - accounts for activity for the transactions associated with the Martin Luther King Apartments which are federally subsidized with USDA monies.

Other Enterprise - accounts for activity of the Housing Authority for tax credit property developer fees received.

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 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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the Housing Authority are rental income and maintenance charges to the residents. Operating expenses include the costs of providing these services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGETS The USDA approves all budgets for the Housing Authority. The budget is controlled by fund at the function level. All appropriations lapse at year-end. Encumbrance accounting is not employed. 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. ACCOUNTS RECEIVABLE The Housing Authority's Accounts Receivable consists of receivables from USDA rent assistances and other local revenues. These amounts are expected to be paid in full; therefore no allowances for doubtful accounts were set up.

Tallulah Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

G. 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:

Buildings	35 years
Building improvements	5 – 20 years
Furniture and equipment	5 – 10 years

H. COMPENSATED ABSENCES Employees of the Housing Authority adhere to policies of the management firm retained by the City of Tallulah to manage the Housing Authority in regards to vacation and sick leave. Vacation time is based on length of service with one week being earned after first year of service and two weeks being earned after two years of service. All vacation time must be set within sixty days of leave time with supervisor approval. There are no payments in lieu of vacation time. Sick leave is 5 days each year. The management firm began managing the Housing Authority in November, 2007, thus the Housing Authority has no employees; the employees are employees of the management company.

L. RESTRICTED NET ASSETS Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. 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 statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS The Housing Authority carried only deposits and did not report any investments at December 31, 2009.

Interest Rate Risk: The Housing Authority's policy does not address interest rate risk.

Credit Rate Risk: The Housing Authority's policy does not address credit rate risk.

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of bank failure, the Housing Authority's deposits may not be returned to it. As of December 31, 2009, the Housing Authority's bank balance of \$34,941 was not exposed to custodial credit risk. The bank balance was secured by FDIC insurance in the amount of \$34,941. The book balance for deposits as of December 31, 2009 was \$32,470 (Statement A-Restricted cash of \$30,118 and unrestricted of \$2,352). The Housing Authority's policy does not address custodial credit risk.

As of December 31, 2008, the Housing Authority's bank balance of \$21,497 was not exposed to custodial credit risk. The bank balance was secured by FDIC Insurance in the amount of \$21,497. The book balance for deposits as of December 31, 2008 was \$17,003 (Statement A-Restricted cash of \$16,449 and unrestricted of \$544).

Tallulah Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

NOTE 3 - ACCOUNTS RECEIVABLE The following are accounts receivable at year end December 31:

	MLK	Other Enterprise	Total 2009	Total 2008 (MLK only)
USDA Rental Assistance	\$ 12,160	\$ -	\$ 12,160	\$ 12,737
Other local revenue for other enterprise activity	-	18,460	18,460	-
	<u>\$ 12,160</u>	<u>\$ 18,460</u>	<u>\$ 30,620</u>	<u>\$ 12,737</u>

All receivables are expected to be received in full; therefore the Housing Authority does not have an allowance for doubtful accounts recorded.

NOTE 4 - CAPITAL ASSETS The following presents the changes in capital assets for the year ended December 31, 2009:

	Balance Beginning	Additions	Deletions	Balance Ending
Land	\$ 38,008	\$ -	\$ -	\$ 38,008
Depreciable capital assets				
Building improvements	896,695	454	-	897,149
Buildings	1,164,767	-	-	1,164,767
Furniture and equipment	101,450	410	-	101,860
Total	<u>2,200,920</u>	<u>864</u>	<u>-</u>	<u>2,201,784</u>
Less accumulated depreciation				
Building improvements	221,014	33,279	-	254,293
Buildings	829,086	47,787	-	876,873
Furniture and equipment	82,533	3,880	-	86,413
Total	<u>1,132,633</u>	<u>84,946</u>	<u>-</u>	<u>1,217,579</u>
Capital assets, net	<u>\$ 1,068,287</u>	<u>\$ (84,082)</u>	<u>\$ -</u>	<u>\$ 984,205</u>

The following presents the changes in capital assets for the year ended December 31, 2008:

	Balance Beginning	Additions	Deletions	Balance Ending
Land	\$ 38,008	\$ -	\$ -	\$ 38,008
Depreciable capital assets				
Building improvements	896,695	-	-	896,695
Buildings	1,164,767	-	-	1,164,767
Furniture and equipment	90,963	10,937	450	101,450
Total	<u>2,190,433</u>	<u>10,937</u>	<u>450</u>	<u>2,200,920</u>
Less accumulated depreciation				
Building improvements	158,901	62,113	-	221,014
Buildings	810,223	18,863	-	829,086
Furniture and equipment	78,296	4,687	450	82,533
Total	<u>1,047,420</u>	<u>85,663</u>	<u>450</u>	<u>1,132,633</u>
Capital assets, net	<u>\$ 1,143,013</u>	<u>\$ (74,726)</u>	<u>\$ -</u>	<u>\$ 1,068,287</u>

Tallulah Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

NOTE 5 - PENSION PLAN The employees of Tallulah Housing Authority are members of the Social Security System. In addition to the employee's contributions withheld at 7.65% of gross salary, the Housing Authority contributes an equal amount to the Social Security System. The Housing Authority does not guarantee the benefits granted by the Social Security System.

NOTE 6 - LONG-TERM DEBT The long-term liability at December 31, 2009, represents a housing revenue note payable to the United States Department of Agriculture (USDA), Rural Development Administration under the Rural Rental Housing Loan Program (CFDA 10.415). The note is due in annual installments of \$22,468 through December 31, 2021, and thereafter installments which range in amounts from \$22,591 to \$56,193 through November, 2031 with an annual interest rate of 11.50%. The original note payable was re-amortized in May, 2004, with a principal amount of \$540,000.

The following is a summary of notes payable for the year ended December 31:

	<u>2009</u>	<u>2008</u>
Note payable at January 1,	\$ 523,280	\$ 527,710
Additions	-	-
Deductions	4,967	4,430
Note payable at December 31,	<u>\$ 518,313</u>	<u>\$ 523,280</u>
Amount due within one year	<u>\$ 5,569</u>	<u>\$ 4,967</u>

The Housing Authority also has a loan payable with the USDA with the proceeds being used for the rehabilitation of apartments which was completed during 2005. The original loan was \$752,727 which is payable until 2049 with payments from \$10,592 to \$45,265. The stated interest rate of the loan is 5.875%.

The following is a summary of loans payable for the year ended December 31:

	<u>2009</u>	<u>2008</u>
Loan payable at January 1,	\$ 738,582	\$ 742,924
Additions	-	-
Deductions	4,604	4,342
Loan payable at December 31,	<u>\$ 733,978</u>	<u>\$ 738,582</u>
Amount due within one year	<u>\$ 4,882</u>	<u>\$ 4,604</u>

Tallahassee Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

The annual requirements to amortize long-term debt outstanding at December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,451	\$ 33,202	\$ 43,653
2011	11,421	32,232	43,653
2012	12,490	31,163	43,653
2013	13,671	29,982	43,653
2014	14,974	28,679	43,653
2015-2019	99,775	118,491	218,266
2020-2024	160,889	64,871	225,760
2025-2029	263,773	39,595	303,368
2030-2034	200,053	17,010	217,063
2035-2039	119,191	184	119,375
2040-2044	159,775	-	159,775
2045-2049	185,828	-	185,828
Total	\$ 1,252,291	\$ 395,409	\$ 1,647,700

The Housing Authority has also entered into an interest credit and rental assistance agreement with FmHA under which the Housing Authority earns a credit against the interest payable on the mortgage note. The credit may result in an effective interest rate as low as 1%. FmHA may terminate the interest credit agreement if it is determined that no subsidy is necessary or if the Housing Authority is determined to be in noncompliance with the loan agreement or other applicable FmHA rules or regulations.

NOTE 7 - RESTRICTED ASSETS As discussed in Note 5, during 1981 the Housing Authority received a \$1,286,000 loan from Farmers Home Administration (CFDA #10.415) for the construction of housing accommodations for persons of low income. The loan agreement requires the establishment of a reserve fund. Under the original loan requirements, the Housing Authority was to transfer into this fund an amount not less than \$11,255 annually, until there has been accumulated an amount of \$112,554.

During 2005, the USDA granted the Housing Authority permission to use reserve funds due to construction cost incurred during the rehabilitation of apartments. The USDA stated that the Housing Authority does not have to repay funds used and extended the period in which the reserve account must reach the maximum required amount. As of the amortization effective date of the new loan, July 1, 2005, the Housing Authority is required to transfer \$12,935 to the reserve fund until reaching the fully funded amount of \$129,350. At December 31, 2009, the Housing Authority had a balance of \$20,303 in the reserve account. At December 31, 2008, the Housing Authority had a balance of \$5,629 in the reserve account. At December 31, 2008, the Housing Authority had a balance of \$5,629 in the reserve account.

NOTE 8 - LITIGATION AND CONTINGENCIES

Litigations: According to the attorney's response, it was noted that the Tallahassee Madison Housing Partners Limited Partnership I and II are involved in litigation; however, Tallahassee Housing Authority was not named as a defendant.

Commitments: Although the Housing Authority no longer has a majority interest in general partner of Tallahassee Madison Housing Partners Limited Partnership I, they are considered the guarantor of a loan for \$60,925, which is in the name of Partnership I.

Tallulah Housing Authority
Notes to the Basic Financial Statements
December 31, 2009

NOTE 9 - RENTAL ASSISTANCE AGREEMENT The Housing Authority has entered into a contract with FmHA that provides rental assistance payments on behalf of eligible lower-income persons or families. Under this contract the Housing Authority agreed to rent only to eligible persons or families at FmHA-approved rates and to adhere to certain rules of operation. FmHA may, at its option, terminate the contract if the Housing Authority is determined to be in noncompliance with the FmHA loan agreement or other applicable FmHA rules or regulations. FmHA may also reduce the number of units covered by the contract should it determine that there is a lack of eligible tenants in the area. The contract automatically expires upon the total disbursement of the contract's original obligated amount.

NOTE 10 - 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 United States Department of Agriculture (USDA) provided \$153,190 in rental assistance to the Housing Authority for year ended December 31, 2009 and provided \$143,617 or 75% in rental assistance to the Housing Authority for year ended December 31, 2008. The total amount provided by the USDA represents 66% of the Housing Authority's total revenue for the year.

NOTE 11 - RISK MANAGEMENT The Housing Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; and injuries to employees. To handle such risk of loss, the Housing Authority maintains commercial insurance policies covering property, employee liability, and public officials' liability. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the years ended December 31, 2009 and 2008.

NOTE 12 - MANAGEMENT OF THE HOUSING AUTHORITY On November 13, 2007, the Housing Authority entered into a three-year management agreement with OSC Management, Inc. located in Metairie, Louisiana.

Tallah Housing Authority

SUPPLEMENTAL INFORMATION

**Tallulah Housing Authority
Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2009**

Schedule 1

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

Hazel Suluki
1019 N. Madison Street
Tallulah, LA 71282
Term expires 06/30/2012

Lonnie Curry, President
121 Chicago Street
Tallulah, LA 71282
Term expires 06/30/2011

Tommie Morris
1410 Florida Street
Tallulah, LA 71282
Term expires 06/30/2009

Clarence Gibbs
400 Henderson Street #109
Tallulah, LA 71282
Term expires 06/30/2013

- Fifth board member position vacant as of 12/31/09

TALLULAH HOUSING AUTHORITY
Schedule of Reserve Funding
For the Year Ended December 31, 2009

Schedule 2

Required balance at 12/31/2008	\$	45,273
Deposit requirement for 2009		<u>12,935</u>
Required at 12/31/2009		58,208
Deposit balance at 12/31/2009		<u>20,303</u>
Excess/(Deficiency) at 12/31/2009		<u>(37,905)</u>

Change in Deposit Balance:

Balance 12/31/2008		5,629
Required transfers to reserve account		19,645
Interest earnings		22
Withdrawal of funds approved by USDA		(4,933)
Bank charges		<u>(60)</u>
Balance 12/31/2009	\$	<u>20,303</u>

* As of amortization effective date of new loan, July 1, 2005, total required balance in the reserve fund was increased to \$129,350 by USDA.

**The USDA increased the required transfer amount to the reserve account in the budget for 2009 to \$19,643 to reduce the deficiency in the reserve fund. This will also be in effect for the 2010 budget, as it is a two year plan.

**Tallahassee Housing Authority
 Schedule of Aging Accounts Payable
 For the Year Ended December 31, 2009**

Schedule 3

<u>Type of Expenditure</u>	<u>Amount</u>	<u>Aging</u>
Supplies	\$ 71	60 days
Pest control	400	30 days
Repairs and maintenance (\$650/30 days; \$1,416/ 60 days; \$1,846/90 days)	3,912	30-90 days
Audit expense (December 31, 2008 audit)	4,480	> 120 days
Salary and related benefits	3,575	30 days
Professional & training fees	214	30 days
Utilities	<u>680</u>	30 days
Total (Per Statement A MLK Column)	<u>\$13,332</u>	

**Tallulah Housing Authority
Schedule of Rental Information
As of December 31, 2009**

Schedule 4

<u>Size of Unit</u>	<u>Basic Note Rent</u>	<u>Note Rent Rate</u>	<u>Number of Units</u>	<u>Number Occupied at Year End</u>
4-Bedroom	\$659	\$894	4	3
3-Bedroom	579	781	4	4
2-Bedroom	471	629	12	8
1-Bedroom	415	551	20	17

Occupancy rate at December 31, 2009 (32 of 40 apartments rented) 80%

*32 apartments of the Housing Authority's 40 apartments are rental assistance.

**A rent increase was approved by USDA was effective January 1, 2009.

***Of the 8 units not included above, 1 unit was the Manager's Unit, 2 units were HUD assistance, 4 units were vacant at year end and 1 unit which was rented did not receive rental assistance.

TALLULAH HOUSING AUTHORITY

PROPRIETARY FUND TYPE - ENTERPRISE FUND
 Schedule of Revenues, Expenses, and
 Changes in Fund Net Assets - Budget and Unadjusted-Cash Basis
 For the Year Ended December 31, 2009

Schedule 5

	VARIANCE FAVORABLE		
	BUDGET	UNADJUSTED	(UNFAVORABLE)
OPERATING REVENUES			
Rental income, net of vacancy & contingency allowance	\$ 55,613	\$ 55,577	\$ (36)
Other operating revenues	3,350	3,726	376
Total operating revenues	<u>58,963</u>	<u>59,303</u>	<u>340</u>
OPERATING EXPENSES			
Administrative	61,976	64,714	(2,738)
Operating and maintenance	61,770	63,163	(1,393)
Utilities	12,270	7,278	4,992
Insurance	12,225	10,993	1,232
Tenant's utility allowance	0	2,781	(2,781)
Other operating expenses	0	1,217	(1,217)
Total operating expenses	<u>148,241</u>	<u>150,146</u>	<u>(1,905)</u>
OPERATING INCOME (LOSS)	<u>(89,278)</u>	<u>(90,843)</u>	<u>(1,565)</u>
NON-OPERATING REVENUES (Expenses)			
Federal grants - Farmers Home Administration:			
Loan subsidy	43,853	44,463	810
Rental assistance	108,727	109,304	577
Interest earned on deposits	200	22	(178)
RHS interest expense	(34,083)	(33,642)	441
Capital asset purchases	(6,000)	(5,921)	79
RHS principal payment	(9,570)	(10,011)	(441)
Transfer to/from reserve account, net	(13,643)	(16,645)	(3,002)
Total non-operating revenues (expenses)	<u>89,284</u>	<u>87,570</u>	<u>(1,714)</u>
Change in Net Assets	6	(3,273)	(3,279)
TOTAL NET ASSETS - BEGINNING	<u>7,000</u>	<u>10,107</u>	<u>3,107</u>
TOTAL NET ASSETS - ENDING	<u>\$ 7,006</u>	<u>\$ 6,834</u>	<u>\$ (172)</u>

TALLULAH HOUSING AUTHORITY
PROPRIETARY FUND TYPE - ENTERPRISE FUND
Proposed Budget For 2010 - Cash Basis
For the Year Ended December 31, 2009

	Schedule 6
OPERATING REVENUES	
Rental income	\$ 235,320
Other operating revenues	5,600
Less: vacancy and contingency allowance	<u>(11,766)</u>
 Total operating revenues	 <u>229,154</u>
OPERATING EXPENSES	
Management fees	24,804
Accounting and legal	9,300
Operating supplies	3,800
Garbage removal	7,100
Maintenance of grounds	11,000
Insurance	9,500
Payroll taxes	3,000
Payroll related benefits	6,000
Repairs and maintenance	27,600
Salary	37,100
Telephone	2,000
Utilities	7,080
Other operating expenses	<u>2,319</u>
 Total operating expenses	 <u>150,603</u>
 OPERATING INCOME (LOSS)	 <u>78,551</u>
OTHER FINANCING SOURCES (USES)	
Furniture and furnishings replacement	(20,445)
Debt payment - USDA	(43,653)
Transfers from reserve	7,800
Transfers to Reserve	<u>(19,643)</u>
 Total other financing sources (uses)	 <u>(75,941)</u>
 NET INCOME	 2,610
 FUND BALANCES - BEGINNING	 <u>5,600</u>
 FUND BALANCES - ENDING	 <u>\$ 8,210</u>

Tallahah Housing Authority
Schedule of Insurance Coverage
As of December 31, 2009

Schedule 7

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Deductible</u>	<u>Expiration Date</u>
Property Insurance	Various	Various	\$1,686,350	\$5,000 per building, \$10,000 maximum per occurrence per housing authority	4/01/10
General liability	Lloyds of London	J096231	2,000,000	NONE	4/01/10
Automobile liability	Lloyds of London	J096231	1,000,000	NONE	4/01/10
Terrorism Coverage-Physical	Lloyds of London	J097379	1,000,000	\$5,000 per occurrence	4/01/10
Terrorism Coverage-Liability	Lloyds of London	J097380	*15,000,00	\$5,000 per occurrence	4/01/10
Boiler & Machinery	Travelers Property Casualty	8749M870	1,720,950	\$5,000 per occurrence	4/01/10

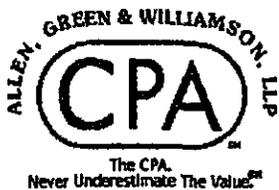
*Policy Aggregate shared by all members

Agent: Arthur J. Gallagher, BB&H Div. / Louisiana Housing Council Authorities Group Self-Insured Program
 235 Highlandia Dr. - Suite 200
 Baton Rouge, LA 70810
 Phone: (225) 906-1224

NOTE: Excess insurance above the self-insured retention(s) maintained by the trust is provided by the following companies:

- Axis Surplus Insurance Company (Primary Layer) Policy #EAF72553708
- Lexington Insurance Company Policy #2904044
- Axis Surplus Insurance Company Policy #EAF73823408
- Westchester Surplus Insurance Company Policy #D35898931005
- Aspen Insurance (UK) Ltd. Policy #AST09501E0T1225
- Arch Specialty Insurance Company Policy #ESP0025340-00
- James River Insurance Company Policy #00014971
- RSUI Indemnity Company Policy #NHHD356805 & #NHHD356806
- Essex Insurance Company Policy #ESP5830
- Aspen Insurance (UK) Ltd. Policy #AST09501E0T1226
- Max Specialty Insurance Company Policy #MAX3XP0001156

Also, the Housing Authority has employee dishonesty coverage of \$100,000 with a \$1,000 deductible with The Hartford through 7/01/10.



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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 of Commissioners
Tallulah Housing Authority
Tallulah, Louisiana

We have audited the financial statements of Tallulah Housing Authority, a component unit of the City of Tallulah, as of and for the year ended December 31, 2009, and have issued our report thereon dated October 1, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-F1.

We noted a certain matter that we reported to management of the Housing Authority in a separate letter dated October 1, 2010.

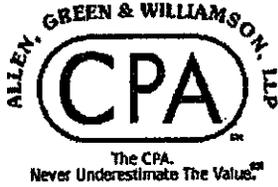
The Housing Authority's response to the findings identified in our audit are described in the accompanying Corrective Action for Current Year Findings and Questioned Costs. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

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 Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 1, 2010



ALLEN, GREEN & WILLIAMSON, LLP

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(Retired) 1963 - 2009

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

Board of Commissioners
Tallulah Housing Authority
Tallulah, Louisiana

Compliance

We have audited the compliance of the Tallulah Housing Authority with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing 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 Housing 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 Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority 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 December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09-F2 and 09-F3.

Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 09-F2 and 09-F3. A significant deficiency over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Housing Authority's response to the findings identified in our audit are described in the accompanying corrective action plan for current year findings and questioned costs. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Housing Authority, 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 Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 1, 2010

**Tallulah Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Agriculture Farmers Home Administration Direct program - Rural Rental Housing Loans	10.415	N/A	<u>\$153,190</u>
TOTAL FEDERAL AWARDS			<u>\$153,190</u>

Footnotes:

1. This schedule was prepared on the accrual basis of accounting.
2. Not included in the above schedule is \$518,313 in an outstanding long-term housing revenue note payable at December 31, 2009. The note is payable to the Rural Development Administration under CFDA 10.415.
3. Also not included in the above schedule is \$733,978 in an outstanding long-term housing revenue loan payable at December 31, 2009. The loan is payable to the Rural Development Administration under CFDA 10.415.
4. The amount in the above schedule consists of a loan subsidy of \$44,349 and rental assistance of \$108,727.

Tallulah Housing Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Housing Authority. The Housing Authority's reporting entity is defined in Note 1 to the Housing Authority's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Housing Authority's basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority's financial statements as follows:

	<u>Federal Sources</u>
Loan Subsidy	\$ 44,463
Rental assistance	<u>108,727</u>
Total	<u>\$ 153,190</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 5 - FEDERAL AWARDS For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with PIH98-14 "federal awards" do not include operating income from rents or investments (or other non-federal sources). The entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

**Tallahassee Housing Authority
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America.
- iii. There was one instance of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were two significant deficiencies required to be disclosed by OMB Circular A-133. The significant deficiencies were not considered to be material weaknesses.
- v. The type of report the auditor issued on compliance for the major program was unqualified.
- vi. The audit disclosed two audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal programs are:

CFDA #10.415 Rural Rental Housing Loans
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.

**Tallulah Housing Authority
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009**

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **09-F1** **Late Submission of Audit Report to Legislative Auditor**

Entity-wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Housing Authority's audit report should be submitted to the Louisiana Legislative Auditor by June 30th each year.

Condition found: The Housing Authority's audit report for the fiscal year ending December 31, 2009 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i).

Possible asserted effect (cause and effect):

Cause: The Housing Authority did not have their fiscal year end financials ready for the audit to be performed in time to be completed within the six month Louisiana Revised Statute requirement.

Effect: The Housing Authority did not adhere to the requirements set forth by Louisiana Revised Statute.

Recommendations to prevent future occurrences: Procedures should be established by management to ensure that financials and trial balances are prepared timely in order to conduct the audit within the six month deadline.

**Tallulah Housing Authority
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009**

PART III- Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: 09-F2 Vendor Disbursements

Federal program and specific federal award identification: Rural Rental Housing Loans, CFDA #10.415 for Federal Award Year 2009 received from Federal Agency: U. S. Department of Agriculture.

Criteria or specific requirement: Invoices for disbursements should have the proper documentation which is approved by appropriate personnel. The charge should be recorded in the correct general ledger account. Invoices should have a completed purchase order when required. The charge must be necessary and reasonable for proper administration of the agency.

Condition found: The following exceptions were noted while testing 61 vendor disbursements:

- Five exceptions were noted in which the charge was not paid timely.
- Six exceptions were noted in which the invoice was evidence of sales tax being paid on the purchase.

Proper perspective for judging the prevalence and consequences: The sample consisted of sixty-one vendor disbursements.

Possible asserted effect (cause and effect):

Cause: Regarding the payment of sales tax, the management firm was unaware that the Housing Authority was exempt from sales tax.

Effect: Certain vendor disbursements revealed payments of sales tax and not paid timely.

Recommendations to prevent future occurrences: The Housing Authority should not pay sales tax on purchases as it is exempt by nature being a governmental entity. All charges should be paid timely.

**Tallulah Housing Authority
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009**

PART III- Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: 09-F3 Late Submission of the Audit Report to the USDA

Federal program and specific federal award identification: Rural Rental Housing Loans, CFDA #10.415 for Federal Award Year 2009 received from Federal Agency: U.S. Department of Agriculture.

Criteria or specific requirement: LSA-R. S. 24:513A(5)(a) states "Audits shall be completed within six months of the close of the entity's fiscal year.", however, the United States Department of Agriculture requires the audit for the Housing Authority be submitted within 90 days after fiscal year end of December 31st each year.

Condition found: The Housing Authority's audit for the year ended December 31, 2009 was not submitted to the USDA within the 90 days after fiscal year end as required.

Possible asserted effect (cause and effect):

Cause: The Auditor was unable to determine the cause.

Effect: The Housing Authority is in violation of the requirements of the USDA to submit the annual audit by March 31, 2010 (90 days after fiscal year end).

Recommendation to prevent future occurrences: The Housing Authority should implement procedures necessary to assure completion of the audit by March 31st of each year as required by the USDA.

Tallahassee Housing Authority

Other Information

The information in this section concerns management's actions or intentions concerning prior- and current-year audit findings and is required by U. S. Office of Management and Budget (OMB) Circular A-133. This information has been prepared by the management of the Tallahassee Housing Authority. Management accepts full responsibility, as required by OMB Circular A-133, for the accuracy of the information. We have not audited this information except as required by OMB Circular A-133 Section 500(e), and accordingly, no opinion is expressed. Section 500(e) requires the auditor to follow-up on prior audit findings; perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee, and report, as a current-year audit finding when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.

**Tallahassee Housing Authority
Summary Schedule of Prior-Year Audit Findings
December 31, 2009**

Reference # and title: **08-F1** **Vendor Disbursements**

Origination Date: This finding originated in fiscal year ended December 31, 2007.

Condition found: Invoices for disbursements should have the proper documentation which is approved by appropriate personnel. The charge should be recorded in the correct general ledger account. Invoices should have a completed purchase order when required. The charge must be necessary and reasonable for proper administration of the agency.

The following exceptions were noted while testing 70 vendor disbursements:

- Two exceptions were noted in which a purchase order was not used as required.
- Three exceptions were noted in which the invoice was not properly approved by appropriate personnel.
- One exception was noted in which the charge appeared not to be necessary or reasonable for proper administration of the agency.
- One exception was noted in which the charge was not recorded in the proper general ledger account.
- One exception was noted in which the charge was not supported by proper documentation.
- Eight exceptions were noted in which the invoice was evidence of sales tax being paid on the purchase.

Corrective action planned: See current year finding 09-F2

Reference # and title: **08-F2** **Late Submission of the Audit Report to the USDA**

Origination Date: This finding originated in fiscal year ended December 31, 2007.

Condition found: LSA-R. S. 24:513A(5)(a) states "Audits shall be completed within six months of the close of the entity's fiscal year.", however, the United States Department of Agriculture requires the audit for the Housing Authority be submitted within 90 days after fiscal year end of December 31st each year.

The Housing Authority's audit for the year ended December 31, 2007 was not submitted to the USDA within the 90 days after fiscal year end as required.

Corrective action planned: See current year finding 09-F3.

**Tallulah Housing Authority
Corrective Action for Current-Year Findings and Questioned Costs
For Year Ended December 31, 2009**

Reference # and title: 09-F1 Late Submission of Audit Report to Legislative Auditor

Entity-wide or program/department specific: This finding is entity wide.

Condition: Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Housing Authority's audit report should be submitted to the Louisiana Legislative Auditor by June 30th each year.

The Housing Authority's audit report for the fiscal year ending December 31, 2009 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i).

Corrective action planned: Legal documents concerning a new housing development constructed as an additional enterprise of Tallulah Housing Authority were required by auditors and those documents were more difficult to obtain than necessary. Hence, the audit report was not complete without them, and an extension was requested to allow for completion. This particular situation should pose no problem in the future as it was a one-time occurrence concerning the new housing development now complete.

Person responsible for corrective action:

Mayor Eddie Beckwith	Telephone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 N Cedar Street	
Tallulah, Louisiana 71282	

Anticipated completion date: Immediately.

Reference # and title: 09-F2 Vendor Disbursements

Federal program and specific federal award identification: Rural Rental Housing Loans, CFDA #10.415 for Federal Award Year 2009 received from Federal Agency: U. S. Department of Agriculture.

Condition: Invoices for disbursements should have the proper documentation which is approved by appropriate personnel. The charge should be recorded in the correct general ledger account. Invoices should have a completed purchase order when required. The charge must be necessary and reasonable for proper administration of the agency.

The following exceptions were noted while testing 61 vendor disbursements:

- Five exceptions were noted in which the charge was not paid timely.
- Six exceptions were noted in which the invoice was evidence of sales tax being paid on the purchase.

Corrective action planned: During the coming year, all invoices will be paid on a timely basis as cash flows allows. The City Clerk of the City of Tallulah will furnish the Housing Authority office management with a sales tax certificate of exemption, thus allowing Housing Authority management to refrain from making any sales tax payments.

**Tallulah Housing Authority
Corrective Action for Current-Year Findings and Questioned Costs
For Year Ended December 31, 2009**

Person responsible for corrective action:

Mayor Eddie Beckwith Telephone: (318) 574-0964
City of Tallulah Fax: (318) 574-2773
204 N Cedar Street
Tallulah, Louisiana 71282

Anticipated completion date: Immediately.

Reference # and title: **09-F3** **Late Submission of the Audit Report to the USDA**

Federal program and specific federal award identification: Rural Rental Housing Loans, CFDA #10.415 for Federal Award Year 2009 received from Federal Agency: U.S. Department of Agriculture.

Condition: LSA-R. S. 24:513A(5)(a) states "Audits shall be completed within six months of the close of the entity's fiscal year.", however, the United States Department of Agriculture requires the audit for the Housing Authority be submitted within 90 days after fiscal year end of December 31st each year.

The Housing Authority's audit for the year ended December 31, 2009 was not submitted to the USDA within the 90 days after fiscal year end as required.

Corrective action planned: All pertinent information required for the next fiscal audit will be at hand upon arrival of auditors. Should any additional documentation be needed, the information will be obtained on a timely basis. Thus, there should not be the situation of a request for an audit extension on implementation of this directive.

Person responsible for corrective action:

Mayor Eddie Beckwith Telephone: (318) 574-0964
City of Tallulah Fax: (318) 574-2773
204 N Cedar Street
Tallulah, Louisiana 71282

Anticipated completion date: Immediately.

ALLEN, GREEN & WILLIAMSON, LLP

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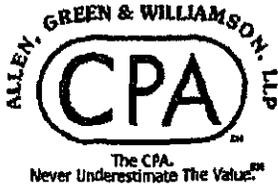
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Management Letter

Board of Commissioners
Tallulah Housing Authority
Tallulah, Louisiana

In planning and performing our audit of the financial statements of the Housing Authority, as of and for the year ended December 31, 2009, 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 an opinion on the internal control.

However, during our audit, we noted a certain matter involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 1, 2010 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 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 these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

09-M1 Capital Assets

Comment: While testing capital assets, it was noted that the Housing Authority's listing does not have the original cost of each item, the purchase date nor does it always reflect a tag number corresponding to each asset listed. The buildings which comprise the Housing Authority have not been appraised since the rehabilitation of the apartments was completed. Also, while at the Housing Authority site, it was noted that there was roof damage to the buildings which had not been repaired.

Recommendation: The Housing Authority should maintain a complete listing of all capital assets which reflects the purchase date, cost and the tag number that is placed on the capital asset. Also, the actual buildings should be appraised to ensure the carrying amount per accounting records is not over/under stated. The Housing Authority should keep the Housing Authority buildings in good condition. The damage to the roofs should be repaired as soon as possible.

Management's response: The Housing Authority will maintain a complete listing of all capital assets which reflect the purchase date as best known, cost, and a tag with corresponding number will be placed on the item. The buildings will be appraised soon as possible, and attention will be given to roofs with respective repairs made.

* * * * *

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

Included immediately following this letter is a 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 Management, 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 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. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 1, 2010

**Tallulah Housing Authority
Status of Previous Year Management Letter Item
For Year Ended December 31, 2009**

08-M1 Capital Assets

Comment: While testing capital assets, it was noted that the Housing Authority does not have capital assets tagged and do not have procedures in place for adequately accounting for deletions when assets are sold or scrapped. While the Housing Authority conducted a physical inventory, the listing does not have the original cost of each item, nor does it have a tag number corresponding to each asset listed. The buildings which comprise the Housing Authority have not been appraised since the rehabilitation of the apartments was completed. Also, while at the Housing Authority site, it was noted that there was roof damage to the buildings which had not been repaired.

Management's response: See current year management item 09-M1.