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HOUSING AUTHORITY OF THE CITY OF WINNSBORO, LOUISIANA

REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

TWELVE MONTHS ENDED SEPTEMBER 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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

FEB 16 2000

MIKE ESTES, P.C.  
A PROFESSIONAL ACCOUNTING CORPORATION

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HOUSING AUTHORITY OF THE CITY OF WINNSBORO

SUMMARY OF AUDITOR'S RESULTS AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- A. We issued an unqualified opinion on the Housing Authority of the City of Winnsboro, Louisiana for the audit of its financial statements for the year ended September 30, 1999.
- B. The financial statements are prepared on the Enterprise Method. See Auditor's Report and Note A.
- C. No reportable conditions in internal control were disclosed by our audit of the financial statements.
- D. The audit did not disclose any noncompliance which is material to the financial statements.
- E. No reportable conditions in internal control were disclosed by our audit over major programs.
- F. We issued an unqualified opinion on compliance for major programs.
- G. Our audit disclosed one audit finding that we are required to report under 510(a) of OMB Circular A-133. Our audit procedures also included those of HUD Notice PIH 96-53.
- H. Major programs are as follows, and see Schedule of Federal Expenditures for CFDA numbers and amounts:
  - 1. Low Income Housing
  - 2. CIAP

HOUSING AUTHORITY OF THE CITY OF WINNSBORO

SUMMARY OF AUDITOR'S RESULTS AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- I. The dollar threshold to distinguish Type A and Type B programs is \$ 300,000.
- J. The Housing Authority of the City of Winnsboro, Louisiana did not qualify for the year ended September 30, 1999 as a low-risk auditee.

Schedule of Findings and Questioned Costs

- K. There is one finding in these financial statements that is required to be reported in accordance with GAGAS.
- L. There is one audit finding but no questioned costs for Federal awards which shall include audit findings as described in 510a of OMB Circular A-133. Our audit procedures also included those of HUD Notice PIH 96-53.

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MEMBER  
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Independent Auditor's Report

Board of Commissioners  
Housing Authority of the  
City of Winnsboro  
Winnsboro, Louisiana

Regional Inspector General for Audit  
Office of Inspector General  
Department of Housing and Urban  
Development

We have audited the accompanying general-purpose financial statements of the Housing Authority of the City of Winnsboro, Louisiana at and for the year ended September 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Housing Authority of the City of Winnsboro, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Winnsboro, Louisiana as of September 30, 1999 and the results of its operations and changes in its total equity for the year then ended, in conformity with generally accepted accounting principles.

As described in Note A to the financial statements, the PHA has changed from the Governmental Funds to the Enterprise Funds method for the year ended September 30, 1999.

In accordance with Governmental Auditing Standards, we have also issued a report dated January 13, 2000 on our consideration of The Housing Authority of the City of Winnsboro's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Housing Authority of the City of Winnsboro, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Mike Estes, P.C.*

Fort Worth, Texas  
January 13, 2000



HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
BALANCE SHEET - ENTERPRISE FUND  
SEPTEMBER 30, 1999

LA 109001 - FW 1349

**Assets**

## Current assets

Cash - Exhibit F	\$	29,897
Investments		317,018
Accounts receivable - HUD		13,419
Inventories		2,828
Prepaid insurance		11,418

<b>Total current assets</b>		<u>374,580</u>
-----------------------------	--	----------------

## Fixed Assets

Land		300,657
Buildings		3,730,200
Furniture, equipment & machinery		93,480

		<u>4,124,337</u>
--	--	------------------

Less: Accumulated depreciation		<u>(3,602,821)</u>
--------------------------------	--	--------------------

<b>Net fixed assets</b>		<u>521,516</u>
-------------------------	--	----------------

## Noncurrent Assets

Prepaid pilot		<u>16,038</u>
---------------	--	---------------

<b>Total noncurrent assets</b>		16,038
--------------------------------	--	--------

<b>Total assets</b>	\$	<u><u>912,134</u></u>
---------------------	----	-----------------------

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



HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
BALANCE SHEET - ENTERPRISE FUND BASIS  
SEPTEMBER 30, 1999

LA 109001 - FW 1349

**Liabilities**

## Current liabilities

Accrued wages, compensated absences	\$	47,741
Tenant's security deposits		11,965
Deferred credit		744

<b>Total current liabilities</b>		60,450
----------------------------------	--	--------

## Fund equity

Net HUD contributions		521,516
-----------------------	--	---------

<b>Total contributed capital</b>		521,516
----------------------------------	--	---------

Retained earnings - Exhibit B		330,168
-------------------------------	--	---------

<b>Total Equity</b>		851,684
---------------------	--	---------

<b>Total Liabilities and Equity</b>	\$	912,134
-------------------------------------	----	---------

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

HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - ENTERPRISE FUND  
YEAR ENDED SEPTEMBER 30, 1999

LA 109001 - FW 1349

**Revenues**

Tenant revenue	\$ 303,076
HUD operating subsidy grant	243,332
HUD CIAP soft costs grant	37,400
Interest income	10,789
Other revenue	3,180

<b>Total Operating Revenue</b>	597,777
--------------------------------	---------

Operating expenses	
Administrative	181,637
Tenant services	24,844
Utilities	179,835
Maintenance	135,613
General expense	25,521
Depreciation	34,209

<b>Total operating expenses</b>	581,659
---------------------------------	---------

<b>Net operating income</b>	16,118
-----------------------------	--------

Retained earnings (operating reserve), 9-30-98	351,507
Deduct: HUD - REAC prior year GAAP adjustments	(37,457)

<b>Retained earnings, 9-30-99</b>	\$ 330,368
-----------------------------------	------------

Net HUD contribution, 9-30-98	2,908,564
-------------------------------	-----------

Current year addition and REAC adjustments	(2,387,048)
--	-------------

Net HUD contribution, 9-30-99	521,516
-------------------------------	---------

<b>Total Equity, 9-30-99 - Exhibit A</b>	\$ 851,884
--	------------

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

HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
YEAR ENDED SEPTEMBER 30, 1999

LA 109001 - FW 1349

Cash flows from operating activities:

Tenant revenue	\$	303,076
Other operating revenue		3,180
Operating expenses		<u>(581,659)</u>
<b>Net cash (used) in operating activities</b>		<u><u>(275,403)</u></u>

Cash flows from noncapital financing activities

Operating subsidies received		<u>280,732</u>
<b>Net cash provided by noncapital financing activities</b>		<u><u>280,732</u></u>

Cash flows from capital and related financing activities

HUD CIAP hard cost advances		63,400
Equipment and CIAP additions		<u>(107,256)</u>
<b>Net cash provided (required) by capital and financing activities</b>		<u><u>(43,856)</u></u>

Cash flows from investing activities

Interest income		<u>10,789</u>
<b>Net cash provided (used) from investing activities</b>	<b>\$</b>	<u><u>10,789</u></u>

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

HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
 STATEMENT OF CASH FLOWS - ENTERPRISE FUND (continued)  
 YEAR ENDED SEPTEMBER 30, 1999

LA 109001 - FW 1349

Adjustments

Depreciation		34,209
NET HUD - REAC adjustments - noncash		(9,001)
 Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	\$	(13,419)
Decrease (increase) in inventories		(2,828)
Decrease (increase) in prepaid insurance		1,572
Decrease (increase) in prepaid pilot		(11,637)
Increase (decrease) in accrued wages and payroll taxes		47,741
Increase (decrease) in security deposits		665
Increase (decrease) in deferred credits		460
Increase (decrease) in accounts payable		(2,120)
<b>Total adjustments</b>		45,642
 Change in cash and equivalents		
		17,904
Cash and equivalents beginning of year		329,011
Cash and equivalents end of year - Exhibit A	\$	346,915

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

HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
COMPARISON OF ACTUAL HUD REVENUE AND  
EXPENSES TO HUD BUDGETED  
YEAR ENDED SEPTEMBER 30, 1999

LA 109001 - FW 1349

	HUD Budget	Actual	Over (Under) Budget
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Tenant revenue	\$ 300,600	\$ 303,076	\$ 2,476
HUD operating subsidy grant	229,699	243,332	13,633
HUD CIAP soft costs grant	37,400	37,400	0
Interest income	3,654	10,789	7,135
Other revenue	6,300	3,180	(3,120)
	<u>577,653</u>	<u>597,777</u>	<u>20,124</u>
Operating expenses			
Administration, net of CIAP soft cost	160,591	144,237	(16,354)
CIAP soft costs	37,400	37,400	0
Tenant services	28,800	24,844	(3,956)
Utilities	184,608	179,835	(4,773)
Maintenance	127,952	135,613	7,661
General expense	28,059	25,521	(2,538)
Depreciation		34,209	34,209
	<u>567,410</u>	<u>581,659</u>	<u>14,249</u>
Excess (deficient) revenues	10,243	16,118	5,875
Add:			
Depreciation - not budgeted by HUD	0	34,209	34,209
Deduct:			
Capital expenditures - budgeted by HUD	(40,500)	(25,592)	14,908
Excess (deficiency) of budgeted revenues over expenses	<u>\$ (30,257)</u>	<u>\$ 24,735</u>	<u>\$ 54,992</u>

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

# HOUSING AUTHORITY OF THE CITY OF WINNSBORO

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE

The Housing Authority of Winnsboro, Louisiana (the Authority), a public corporate body, was organized for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. In addition, the Authority has administrative responsibility for various other community development programs whose primary purpose is the development of viable urban communities by providing decent housing, a suitable living environment, and economic opportunities principally for persons of low and moderate income.

The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Winnsboro, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals.

#### (1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of September 30, 1999, and for the fiscal then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.



HOUSING AUTHORITY OF THE CITY OF WINNSBORO

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(2) Change in Accounting Principle

For the year ended September 30, 1999, the PHA has changed from the Government Funds Method to the Enterprise Method. This change was strongly recommended by the Real Estate Assessment Center (REAC) of The Department of Housing and Urban Development.

The Enterprise Funds Method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The Enterprise Fund recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. In the prior method used, the Governmental Funds Method, the modified accrual method was necessary.

Depreciation expense must be recognized for the Enterprise Fund. Under the Governmental Funds Method, depreciation was optional and the PHA elected not to recognize it.

REAC suggests that accumulated depreciation be charged to HUD Capital Contributions, not Retained Earnings. REAC directs that soft costs from development and modernization be deleted from fixed assets and charged to HUD Capital Contributions.

REAC also directs PHA's to delete outstanding debt owed to HUD, annual contributions and debt amortization funds receivable due from HUD, and close them to HUD Capital Contributions.



HOUSING AUTHORITY OF THE CITY OF WINNSBORO

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

The amount of the September 30, 1998 operating reserve becomes the beginning retained earnings. There is no cumulative effect on beginning retained earnings resulting from the accounting method change.

(3) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program and the Section 8 Programs. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

HOUSING AUTHORITY OF THE CITY OF WINNSBORO

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(5) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts.

(6) Compensated Absences

Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at September 30, 1999. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 1 - Uncollateralized, uninsured and unregistered, but with securities held by the bank, its trust department, or its agent, pledged to the PHA, but not in the PHA's name.

HOUSING AUTHORITY OF THE CITY OF WINNSBORO

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 1999

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balance	Category		
	1	2	3
\$ <u>346,915</u>	\$ <u>100,000</u>	\$ <u>          </u>	\$ <u>246,915</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand.

NOTE C - ACTIVITIES OF THE PHA

At September 30, 1999, the PHA was managing 150 units of low-rent in one project under Program FW - 1349.

NOTE D - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

HOUSING AUTHORITY OF THE CITY OF WINNSBORO

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 1999

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	15 Years
Buildings	25 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

	09/30/99 Cost	09/30/98 Accumulated Depreciation	Current Depreciation	09/30/99 Accumulated Depreciation
Land	\$ 300,657			
Buildings and Improvements	3,730,200	3,534,376	21,356	3,555,732
Equipment	93,480	34,236	12,853	47,089
	<u>\$ 4,124,337</u>	<u>3,568,612</u>	<u>34,209</u>	<u>3,602,821</u>

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

NOTE F - LONG-TERM DEBT

As noted in Note A, long-term debt owed to HUD has been closed to HUD Capital Contributions. For the year ended September 30, 1999, Housing Agency bonds outstanding of \$ 1,507,880.00 were closed to capital contributions.

HOUSING AUTHORITY OF THE CITY OF WINNSBORO

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 1999

NOTE G DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

NOTE H - ACCOUNTING FOR THE IMPAIRMENT OF LONG - LIVED ASSETS

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

NOTE I - USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

SEPTEMBER 30, 1999

CASH BASIS

	<u>Project 1998</u>	<u>Project 1997</u>
Funds Approved	\$ 37,800.00	\$ 350,000.00
Funds Expended	<u>30,987.89</u>	<u>331,369.14</u>
Excess of Funds Approved	<u>6,812.11</u>	<u>18,630.86</u>
Funds Advanced	\$ 22,770.00	\$ 326,168.14
Funds Expended	<u>30,987.89</u>	<u>331,369.14</u>
Excess of Funds Advanced	<u>\$ (8,217.89)</u>	<u>\$ (5,201.00)</u>

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



HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
 ANALYSIS OF GENERAL FUND CASH BALANCE  
 ANNUAL CONTRIBUTION CONTRACT  
FW - 1349

Composition Before Adjustments	
Net operating receipts retained:	
Retained earnings - Exhibit B	\$ 330,168
	<u>330,168</u>
Adjustments	
Expenses/costs not paid:	
Accounts payable	59,706
Deferred credits	744
Income not received:	
Accounts receivable - HUD	<u>(13,419)</u>
General Fund Cash Available	377,199
General Fund Cash:	
Investments	(317,018)
Applied to deferred charges (prepaid insurance, inventories, etc.)	<u>(30,284)</u>
General Fund Cash - Exhibit A	<u><u>29,897</u></u>

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



HOUSING AUTHORITY OF THE CITY OF WINNSBORO

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 1999

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>GRANT ID NO.</u>	<u>PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low-Income Housing			
Operating Subsidy	14.850	FW-1234	243,332.00
Major Program Total			<u>243,332.00</u>
Comprehensive			
Improvement			
Assistance Program			
Project 1997	14.852	FW - 1234	30,987.89
Project 1998	14.852	FW - 1234	50,675.56
Major Program Total			<u>81,663.45</u>
Total HUD			<u>\$ 324,995.45</u>

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

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**MEMBER**  
**AMERICAN BOARD CERTIFIED**  
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Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133

Housing Authority of the  
City of Winnsboro  
Winnsboro, Louisiana

We have audited the compliance of the Housing Authority of the City of Winnsboro, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and HUD Notice PIH 96-53 that are applicable to each of its major federal programs for the year ended September 30, 1999. The Housing Authority of the City of Winnsboro, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Winnsboro, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of the City of Winnsboro, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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* and HUD Notice PIH 96-53. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Winnsboro, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of the City of Winnsboro, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of the City of Winnsboro, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1999.

The results of our audit procedures disclosed one immaterial instance of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned costs as Finding #2. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

#### Internal Control Over Compliance

The management of The Housing Authority of the City of Winnsboro, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the City of Winnsboro, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Mike Estes*

Fort Worth, Texas  
January 20, 2000

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

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Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed in  
Accordance with Governmental Auditing Standards

Housing Authority of the  
City of Winnsboro  
Winnsboro, Louisiana

We have audited the financial statements of the Housing Authority of the City of Winnsboro, Louisiana as of and for the year ended September 30, 1999, and have issued our report thereon dated January 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Winnsboro, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Governmental Auditing Standards*, or the Louisiana Governmental Audit Guide. This is Audit Finding #2.



## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Winnsboro, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is a matter of public record and its distribution is not limited.

*Mike Estes*

Fort Worth, Texas  
January 13, 2000

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

HOUSING AUTHORITY OF THE CITY OF WINNSBORO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 1999

Prior Audit Findings and Questioned Costs

There were no prior audit findings.

Current Audit Findings

Questioned  
Costs

Incorrect PHAS Answers

1. Indicator #1, Component 2, Unit Turnaround Time e,f and g were incorrectly computed. Average number of calendar days units were in down time, make ready time and lease-up time were incorrectly listed as 78, 2.16 and 2.77 respectively. The correct answers are 1.04, 2.84, and 4.48. Average unit turnaround days was correct as listed.

Also, Indicator 4, Component 2, "average number of days PHA has reduced the time it takes to complete non-emergency work orders over the past 3 years" - was incorrectly listed as .50. There was no average number of days' reduction.

Recommendation

I discussed the calculations with PHA personnel. They are keeping the necessary tracking data and I believe they will correctly calculate these in the future.

Reply

We will comply with the above.

HOUSING AUTHORITY OF THE CITY OF WINNSBORO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 1999

2. Leases Signed in Advance

At the time of annual recertifications, tenants are asked if they will sign a blank lease. They are not told they have to. This is done because it is often difficult to get the tenants to stop by the PHA again to sign the new lease, once it is completed. A copy of the pre-signed lease, once it is finalized, is mailed to the tenant.

Recommendation

I realize how difficult it is to obtain tenants' signatures on new leases after recertification time. These tenants already live in the PHA, and are hard to catch. Still, a lease is a legal document, and the preferable business practice is not to pre sign leases.

Reply

*We have discontinued the practice of requesting tenants to pre sign leases at recertification. As noted above, we have never told tenants they had to presign. This old practice was as much a convenience for the tenant as it was for us.*



HOUSING AUTHORITY OF THE CITY OF WINNSBORO  
 SCHEDULE OF AUDIT JOURNAL ENTRIES  
 YEAR ENDED SEPTEMBER 30, 1999

LA 109001 - FW 1349

	<u>ACCT. # FOR AUDIT PURPOSES</u>	<u>DR</u>	<u>CR</u>	<u>ACCT. # FOR POSTING TO PHA BOOKS</u>
<u>Low Rent</u>				
<1> Net HUD contribution	2810	60,475.00		504
Undesignated fund balance	2820		60,475.00	512

*To adjust undesignated fund balance to correct amount*

Memo Only

Federal funds expended on the FDS schedule need to be revised to agree with the Schedule of Federal Financial Assistance per audit.