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HOUSING AUTHORITY OF COTTON VALLEY, 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 2-23-00

MIKE ESTES, P.C.  
A PROFESSIONAL ACCOUNTING CORPORATION

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**MEMBER**  
**AMERICAN BOARD CERTIFIED**  
**PUBLIC ACCOUNTANTS**

Independent Auditor's Report

Board of Commissioners  
Housing Authority of the  
City of Cotton Valley  
Cotton Valley, 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 Cotton Valley, 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 Cotton Valley, 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 Cotton Valley, 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 *Government Auditing Standards*, we have also issued a report dated January 18, 2000 on our consideration of Housing Authority of the City of Cotton Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 Cotton Valley, taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis, and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, are 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 18, 2000

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

LA117001 - FW-2051

**Assets**

## Current assets

Cash - Exhibit E	\$	36,670.00
Accounts receivable - other		1,813.00
Prepaid insurance		1,968.00

<b>Total current assets</b>		40,451.00
-----------------------------	--	-----------

## Fixed Assets

Land		1,325.00
Buildings		830,781.00
Furniture, equipment & machinery		49,694.00

		881,800.00
--	--	------------

Less: Accumulated depreciation		(668,057.00)
--------------------------------	--	--------------

<b>Net fixed assets</b>		213,743.00
-------------------------	--	------------

<b>Total assets</b>	\$	254,194.00
---------------------	----	------------

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

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

LA117001 - FW-2051

**Liabilities**

## Current liabilities

Tenant's security deposits	\$	1,240.00
Accounts payable - other		2,587.00
Accrued wages, compensated absences		3,963.00

<b>Total current liabilities</b>	7,790.00
----------------------------------	----------

## Fund equity

Net HUD contributions		213,743.00
-----------------------	--	------------

<b>Total contributed capital</b>	213,743.00
----------------------------------	------------

Retained earnings - Exhibit B		32,661.00
-------------------------------	--	-----------

<b>Total Equity</b>	246,404.00
---------------------	------------

<b>Total Liabilities and Equity</b>	\$ 254,194.00
-------------------------------------	---------------

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

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

LA117001 - FW-2051

**Revenues**

Tenant revenue	\$	22,070.00
HUD operating subsidy grant		61,028.00
Interest income		1,103.00
		<hr/>
<b>Total Operating Revenue</b>		<b>84,201.00</b>
Operating expenses		27,413.00
Administrative		3,857.00
Tenant services		14,159.00
Utilities		22,775.00
Maintenance		6,752.00
General expense		41,041.00
Depreciation		8,642.00
Extraordinary maintenance		<hr/>
		124,639.00
		<hr/>
<b>Net operating income (Loss)</b>		<b>(40,438.00)</b>
Retained earnings (operating reserve), 9-30-98		39,004.00
Add: HUD - REAC prior year GAAP adjustments		<hr/>
		34,095.00
		<hr/>
<b>Retained earnings, 9-30-99</b>	\$	<b>32,661.00</b>
Net HUD contribution, 9-30-98		691,479.00
		<hr/>
Current year addition and REAC adjustments		(477,736.00)
		<hr/>
Net HUD contribution, 9-30-99		213,743.00
		<hr/>
<b>Total Equity, 9-30-99 - Exhibit A</b>	\$	<b>246,404.00</b>
		<hr/> <hr/>

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

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

LA117001 - FW-2051

Cash flows from operating activities:

Tenant revenue	\$	22,070.00
Operating expenses		(124,639.00)
<b>Net cash (used) in operating activities</b>		<u>(102,569.00)</u>

Cash flows from noncapital financing activities

Operating subsidies received		61,028.00
<b>Net cash provided by noncapital financing activities</b>		<u>61,028.00</u>

Cash flows from capital and related financing activities

Equipment and CIAP additions		(2,981.00)
<b>Net cash provided (required) by capital and financing activities</b>		<u>(2,981.00)</u>

Cash flows from investing activities

Interest income		1,103.00
<b>Net cash provided (used) from investing activities</b>	\$	<u><u>1,103.00</u></u>

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



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

LA117001 - FW-2051

## Adjustments

Depreciation	41,041.00
NET HUD - REAC adjustments - noncash	(34,197.00)
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	\$ (1,787.00)
Decrease (increase) in prepaid insurance	77.00
Decrease (increase) debt amortization funds	30,232.00
Increase (decrease) in accrued wages and payroll taxes	3,963.00
Increase (decrease) in security deposits	(83.00)
Increase (decrease) in accounts payable	2,209.00
<b>Total adjustments</b>	<u>41,455.00</u>
Change in cash and equivalents	(1,964.00)
Cash and equivalents beginning of year	<u>38,634.00</u>
Cash and equivalents end of year - Exhibit A	\$ <u>36,670.00</u>

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

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

LA117001 - FW-2051

	HUD Budget	Actual	Over (Under) Budget
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Tenant revenue	\$ 19,540.00	\$ 22,070.00	\$ 2,530.00
HUD operating subsidy grant	61,028.00	61,028.00	0.00
Interest income	1,330.00	1,103.00	(227.00)
Other revenue	100.00	0.00	(100.00)
Total operating revenue	<u>81,998.00</u>	<u>84,201.00</u>	<u>2,203.00</u>
Operating expenses			
Administration, net of CIAP soft cost:	28,365.00	27,413.00	(952.00)
CIAP soft costs	0.00	0.00	0.00
Tenant services	4,440.00	3,857.00	(583.00)
Utilities	15,240.00	14,159.00	(1,081.00)
Maintenance	29,480.00	22,775.00	(6,705.00)
General expense	8,845.00	6,752.00	(2,093.00)
Depreciation		41,041.00	41,041.00
Extraordinary maintenance	9,700.00	8,642.00	(1,058.00)
Total operating expenses	<u>\$ 96,070.00</u>	<u>\$ 124,639.00</u>	<u>\$ 28,569.00</u>
Excess (deficient) revenues	(14,072.00)	(40,438.00)	(26,366.00)
Add:			
Depreciation - not budgeted by HUD	0.00	41,041.00	41,041.00
Deduct:			
Capital expenditures - budgeted by HUD	<u>(5,420.00)</u>	<u>(2,982.00)</u>	<u>2,438.00</u>
Excess (deficiency) of budgeted revenues over expenses	<u>\$ (19,492.00)</u>	<u>\$ (2,379.00)</u>	<u>\$ 17,113.00</u>

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

HOUSING AUTHORITY OF THE CITY OF COTTON VALLEY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

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

The Housing Authority of Cotton Valley, 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 Cotton Valley, 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 COTTON VALLEY

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 COTTON VALLEY

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 COTTON VALLEY

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 3 - 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 COTTON VALLEY

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 Balances	Category		
	1	2	3
\$ <u>36,670</u>	\$ <u>36,670</u>	\$ <u>          </u>	\$ <u>          </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 20 units of low-rent in one project under Program FW - 2051.

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 COTTON VALLEY

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	33 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

	09/30/99	09/30/98		09/30/99
	<u>Cost</u>	<u>Accumulated</u>	<u>Current</u>	<u>Accumulated</u>
		<u>Depreciation</u>	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 1,325			
Buildings and Improvements	830,781	581,921	39,212	621,133
Equipment	49,694	45,095	1,829	46,924
	<u>\$ 881,800</u>	<u>627,016</u>	<u>41,041</u>	<u>668,057</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.



HOUSING AUTHORITY OF THE CITY OF COTTON VALLEY

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 1999

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 \$ 293,227.74 were closed to capital contributions.

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.

**SUPPLEMENTARY INFORMATION**

## HOUSING AUTHORITY OF THE CITY OF COTTON VALLEY

## ANALYSIS OF GENERAL FUND CASH BALANCE

## ANNUAL CONTRIBUTION CONTRACT

FW - 2051

Composition Before Adjustments	
Net operating receipts retained:	
Retained earnings - Exhibit B	\$ <u>32,661.00</u>
	32,661.00
 Adjustments	
Expenses/costs not paid:	
Current liabilities	7,790.00
 Income not received:	
Accounts receivable	<u>(1,813.00)</u>
 General Fund Cash Available	38,638.00
 General Fund Cash:	
Applied to deferred charges (prepaid insurance, inventories, etc.)	<u>(1,968.00)</u>
 General Fund Cash - Exhibit A	<u><u>36,670.00</u></u>

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

HOUSING AUTHORITY OF THE CITY OF COTTON VALLEY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 1999

FEDERAL GRANTOR PROGRAM TITLE	<u>C DFA 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 - 2051	61,028.00
Major Program Total			<u>61,028.00</u>
Total HUD			\$ <u><u>61,028.00</u></u>

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**MEMBER**  
**AMERICAN BOARD CERTIFIED**  
**PUBLIC ACCOUNTANTS**

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

Housing Authority of the  
City of Cotton Valley  
Cotton Valley, Louisiana

We have audited the financial statements of the Housing Authority of the City of Cotton Valley, Louisiana as of and for the year ended September 30, 1999, and have issued our report thereon dated January 18, 2000. 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.

Compliance

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

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Cotton Valley, 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, P.C.*

Fort Worth, Texas  
January 18, 2000

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

HOUSING AUTHORITY OF THE CITY OF COTTON VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 1999

Prior Audit Findings and Questioned Costs

There were no prior audit findings.

Questioned  
Costs

Current Audit Findings

None.

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

LA117001 - FW-2051

	<u>ACCT. # FOR FDS PURPOSES</u>	<u>DR</u>	<u>CR</u>	<u>ACCT. # FOR POSTING TO PHA BOOKS</u>
<1> Other operating - Administrative	916	1,180.00		N/A
Audit fee	912		1,180.00	N/A

To reduce audit expenses on FDS schedule to actual of 1,400.00.