

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1996

	Governmental Fund Types		Account Groups		Memo Totals 1996
	Special Revenue	Debt Service	General Fixed Assets	General Long-term Debt	
ASSETS AND OTHER DEBITS					
Assets:					
Cash	\$ 23,139.75	\$.00	\$.00	\$.00	\$ 23,139.75
Receivables:					
Accounts	1,106.00	.00	.00	.00	1,106.00
Other governments	.00	11,817.00	.00	.00	11,817.00
Other	414.41	.00	.00	.00	414.41
Inventories (FIFO cost)	15,589.48	.00	.00	.00	15,589.48
Prepaid items	7,556.87	.00	.00	.00	7,556.87
Restricted assets:					
Cash	.00	84.67	.00	.00	84.67
Fixed assets	.00	.00	2,079,115.21	.00	2,079,115.21
Other debits:					
Amount avail. in debt service fund	.00	.00	.00	11,901.67	11,901.67
Amt. to be provided for retirement of general long term debt	.00	.00	.00	67,794.47	67,794.47
TOTAL ASSETS AND OTHER DEBITS	\$ 47,806.51	\$ 11,901.67	\$ 2,079,115.21	\$ 79,696.14	\$ 2,218,519.53
LIABILITIES, EQUITY, AND OTHER CREDITS					
Liabilities:					
Accounts payable:					
Trade	\$ 1,280.64	\$.00	\$.00	\$.00	\$ 1,280.64
Security deposits	4,117.50	.00	.00	.00	4,117.50
Accrued PILOT	4,533.88	.00	.00	.00	4,533.88
Fixed liabilities	.00	.00	.00	79,696.14	79,696.14
Total liabilities	\$ 9,932.02	\$.00	\$.00	\$ 79,696.14	\$ 89,628.16
Equity and Other Credits:					
Investment in general fixed assets	\$.00	\$.00	\$ 2,079,115.21	\$.00	\$ 2,079,115.21
Fund balances:					
Reserved for debt service	.00	11,901.67	.00	.00	11,901.67
Res. for inventories and prepaids	23,146.35	.00	.00	.00	23,146.35
Unreserved, undesignated	14,728.14	.00	.00	.00	14,728.14
Total Equity and Other Credits	\$ 37,874.49	\$ 11,901.67	\$ 2,079,115.21	\$.00	\$ 2,128,891.37
TOT. LIAB., EQUITY AND OTHER CREDITS	\$ 47,806.51	\$ 11,901.67	\$ 2,079,115.21	\$ 79,696.14	\$ 2,218,519.53

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

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Notes to the Financial Statements (Continued)
June 30, 1996

NOTE 6 - CONTINGENCIES

The entity is subject to possible examinations made 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 refunds by the entity to federal grantors and/or program beneficiaries.

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Notes to the Financial Statements (Continued)
June 30, 1996

NOTE 3 - RESTRICTED CASH

Restricted cash consists of the following:

	Owned Housing Program
Debt Service Fund	\$ 84.67

NOTE 4 - FIXED ASSETS

Changes in fixed assets are as follows:

	Beg. of Period	Additions	Deletions	End of Period
Land, land impvts.	\$ 256,002.00	\$ 28,635.36	\$.00	\$ 284,637.36
Building	1,521,603.06	214,768.00	.00	1,736,371.06
Equipment	54,989.58	18,166.21	(15,049.00)	58,106.79
Const. in progress	229,690.36	28,909.64	(258,600.00)	.00
Total	\$ 2,062,285.00	\$ 290,479.21	\$ (273,649.00)	\$ 2,079,115.21

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 federal government and to protect other interests of the federal government.

NOTE 5 - FIXED LIABILITIES

Fixed liabilities consist of the following:

	Interest Rate	Principal Balance
Payroll related costs		\$ 1,445.12
Bonds payable, June 1, 1963 series	3.5%	78,251.02
Total		\$ 79,696.14

The bonds mature in series annually in varying amounts with the final maturity date in 2004. All required debt service to maturity on the bonds, including principal and interest, is payable by HUD under a debt service contract with the entity.

Changes in fixed liabilities are as follows:

	Bonds	Payroll Related Costs
Balance, beginning of period	\$ 87,006.39	\$ 712.08
Principal retirement	(8,755.37)	.00
Net Change	.00	733.04
Balance, end of period	\$ 78,251.02	\$ 1,445.12

Scheduled retirements of fixed liabilities are as follows:

	Bonds	Interest	Total
Within one year	\$ 8,755.37	\$ 2,738.78	\$ 11,494.15
Within second year	9,302.57	2,432.35	11,734.92
Within third year	9,849.79	2,106.75	11,956.54
Within fourth year	10,397.00	1,762.01	12,159.01
Within fifth year	10,397.00	1,398.11	11,795.11
Thereafter	29,549.29	1,972.68	31,521.97

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Notes to the Financial Statements (Continued)
June 30, 1996

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. The entity does not capitalize any "infrastructure" assets (streets, curbs, sidewalks, drainage system, and similar assets that are immovable) which are paid for by the entity. During project development, interest expenditures were capitalized under pre-1987 financing arrangements. Post-1986 capital projects are being financed by grants from HUD. Consequently, there are no interest expenditures to capitalize. Subsequent to financed developments, interest expenditures are not accrued but are recorded when paid.

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group. Expenditures related to such debt are reflected in the Debt Service Fund.

The two above-named account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

4. Basis of accounting. All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. All significant revenue sources are susceptible to accrual.

Expenditures in governmental fund types are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and sick pay which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

Vested and earned vacation and sick leave that are not accrued are reported in the general long-term debt account group. No expenditure is reported for those amounts. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Inventories are valued using FIFO (first-in, first-out) cost flow assumption.

The entity does not utilize encumbrance accounting.

For the current fiscal year, the authority implemented financial reporting under generally accepted accounting principles and discontinued regulatory basis financial reporting.

5. Supplemental financial information - statutory basis. The supplemental financial information - statutory basis has been prepared in conformity with the accounting practices prescribed by HUD, which differ from generally accepted accounting principles as follows:
- a. Governmental fund accounting principles are not utilized.
 - b. Accounts receivable are stated without an allowance for doubtful accounts. Accounts are written off as collection losses only after the tenant has vacated the unit and the entity has taken reasonable actions to collect.
 - c. Annual Contributions and subsidies earned and/or received from HUD are recorded as contributions to surplus and are not included in the Statement of Income and Expenses.
 - d. Items of routinely recurring expenses are recognized when paid and are therefore not accrued.
 - e. Premiums and/or discounts on bonds are recognized in income or expense in the year bonds are sold.
 - f. The cost of accumulated unpaid vacation and sick leave is not accrued.
 - g. Financial statement formats vary from GAAP.
 - h. The entity does not utilize encumbrance accounting.
 - i. Expenditures under HUD's Comprehensive Improvements Assistance Program (CIAP) and similar forerunner programs are fully capitalized, notwithstanding the fact that expenditures are normally a mixture of repairs, replacements and improvements. Consequently, some amounts represented as Fixed Assets may include costs substantially in excess of value.

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Notes to the Financial Statements
June 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Organization. The entity is chartered as a public corporation for the purpose of administering housing programs for low income families.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low income housing programs in the United States. Accordingly, HUD has contracted with the entity to administer certain HUD funds.

- B. Financial reporting. The financial reporting policies of the entity conform to generally accepted accounting principles.

Specific accounting policies. The following is a summary of significant accounting policies:

1. Financial reporting entity. The entity is a public corporation, legally separate and fiscally independent. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of Housing Authority of the Town of Cottonport, a primary government. There are no component units to be included herewith, but this report does include all funds, account groups, and programs which are controlled by the entity's governing body.
2. Fund accounting. The accounts of the entity are organized on the basis of funds or account groups, each of which is considered to be a separate accounting unit. The operations of each fund are reported as a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type (governmental) and the following broad fund categories:

Governmental Fund Types

Special revenue fund - The special revenue funds are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Capital projects fund - The capital projects fund is used to account for financial resources to be used for the acquisition, construction, and major renovation of major capital facilities.

Special reporting treatment is also applied in governmental funds when inventories and prepaid items are present to indicate that they do not represent "available spendable resources", even though they are a component of net current assets. Such amounts are offset by fund balance reserve accounts.

3. Fixed assets and long-term liabilities. The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spending resources" during a period.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. No depreciation has been provided on such assets.

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-
All Governmental Fund Types
Year Ended June 30, 1996

	Governmental Fund Types			Memo
	Special Revenue	Debt Service	Capital Projects	Totals 1996
Revenues:				
Rents	\$ 53,607.00	\$.00	\$.00	\$ 53,607.00
Operational subsidies/grants	50,050.00	11,817.00	28,909.64	90,776.64
Interest	614.65	.00	.00	614.65
Miscellaneous	5,958.96	.00	.00	5,958.96
Total Revenues	\$ 110,230.61	\$ 11,817.00	\$ 28,909.64	\$ 150,957.25
Expenditures				
Current:				
Housing operations	\$ 100,574.04	\$.00	\$.00	\$ 100,574.04
Capital outlay	2,969.57	.00	28,909.64	31,879.21
Debt service:				
Principal	.00	8,755.37	.00	8,755.37
Interest	.00	3,045.21	.00	3,045.21
Total Expenditures	\$ 103,543.61	\$ 11,800.58	\$ 28,909.64	\$ 144,253.83
Excess of Revenues over (under) Expenditures	\$ 6,687.00	\$ 16.42	\$.00	\$ 6,703.42
Fund Balance, beginning of period	31,187.49	11,885.25	.00	43,072.74
Fund Balance, end of period	\$ 37,874.49	\$ 11,901.67	\$.00	\$ 49,776.16

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Independent Auditors' Report

Board of Commissioners
Housing Authority of the Town of Cottonport
650 Jacob Drive
Cottonport, LA 71327

We have audited the accompanying general purpose financial statements of Housing Authority of the Town of Cottonport as of June 30, 1996, and for the year then ended. These general purpose financial statements and the supplemental financial information and supplemental financial information - statutory basis referred to below are the responsibility of the 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 generally accepted auditing standards and Government Auditing Standards issued by the Comptroller of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 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.

As discussed in Note 1 to the financial statements, in the current year the authority implemented financial reporting under generally accepted accounting principles and discontinued regulatory basis financial reporting.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the Town of Cottonport as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 11, 1996 on our consideration of Housing Authority of the Town of Cottonport's internal control structure and a report dated September 11, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental financial information and supplemental financial information - statutory basis in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Housing Authority of the Town of Cottonport. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. As described in Note 1, the supplemental financial information - statutory basis was prepared in conformity with the accounting practices prescribed by the U.S. Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles. Such supplemental financial information - statutory basis has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly presented in all material respects in conformity with the comprehensive basis of accounting described in Note 1.

September 11, 1996
Receipt Acknowledged
Legislative Auditor

By

Van Rheenen & Miller, Ltd.
VanRheenen & Miller, Ltd.
Certified Public Accountants

FINANCIAL SECTION

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual - All Governmental Fund Types
Year Ended June 30, 1996

Special Revenue Funds			
	Budget	Actual	Variance Favorable <Unfavorable>
Revenues:			
Rents	\$ 45,870.00	\$ 53,607.00	\$ 7,737.00
Operational subsidies/grants	50,050.00	50,050.00	.00
Interest	1,880.00	614.65	(1,265.35)
Miscellaneous	900.00	5,958.96	5,058.96
Total Revenues	\$ 98,700.00	\$ 110,230.61	\$ 11,530.61
Expenditures			
Current:			
Administrative salaries	\$ 21,200.00	\$ 21,192.00	\$ 8.00
Professional fees	3,450.00	3,450.00	.00
Travel	1,200.00	10.00	1,190.00
Sundry administration	5,500.00	6,185.85	(685.85)
Utilities	10,900.00	8,289.79	2,610.21
Maintenance salaries	16,120.00	15,958.00	162.00
Maintenance materials	9,000.00	15,110.54	(6,110.54)
Other maintenance costs	14,120.00	16,678.34	(2,558.34)
Insurance	10,980.00	5,240.01	5,739.99
PILOT	4,740.00	4,533.88	206.12
Employee benefits	9,720.00	3,760.63	5,959.37
Collection losses	.00	165.00	(165.00)
Capital expenditures	4,850.00	2,969.57	1,880.43
Total Expenditures	\$ 111,780.00	\$ 103,543.61	\$ 8,236.39
Excess of Revenues over <under> Expenditures	\$ (13,080.00)	\$ 6,687.00	\$ 19,767.00
Fund Balance, beginning of period		31,187.49	
Fund Balance, end of period		\$ 37,874.49	

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

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Owned Housing Program

Adjusting Journal Entries
June 30, 1996

Annual Contributions Contract FW-652

	Acct. # for audit report	Acct. # for posting by PHA	Debit	Credit
(1)				
Tenants' Security Deposits	2114	2114	\$ 300.00	
Prior Year Adj. Affecting R.R.	6010	6010		\$ 300.00
To adjust security deposits to June 30, 1996 balance.				
(2)				
Prepaid Insurance	1211	1211	7,156.87	
Insurance Expense	4510	6010		7,156.87
To adjust prepaid insurance at June 30, 1996.				
(3)				
Accounts Receivable	1129	1129	219.00	
Prior Year Adj. Affecting R.R.	6010	6010		219.00
To record accounts receivable.				
(4)				
Debt Service Fund	1171	1171	32.84	
Cumulative HUD Annual Contr.	2840	2840		32.84
Prior Year Adj. Not Affecting R.R.	6020	-	3,351.66	
Interest Expense	5610	-		3,351.66
To correct debt service adjustment and posting of prior audit adjustments.				
(5)				
Administrative - Sundry	4190	Do	159.48	
Water	4310		21.59	
Maintenance Materials	4420	Not	449.64	
Employer Benefit Contributions	4540		649.93	
Accounts Payable	2111	Book		1,280.64
To record accounts payable at June 30, 1996 for report purposes.				

General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administrative requirements

Specific Requirements

- Types of services allowed or unallowed
- Eligibility

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, Housing Authority of the Town of Cottonport had no major federal financial assistance programs and expended 68 percent of its total federal financial assistance under the following nonmajor federal financial assistance program: Low-Income Housing.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the authority's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

Our study of the authority's internal control structure disclosed a reportable condition in internal controls relating to segregation of duties. Due to its limited size, the entity does not have the personnel to adequately separate the internal accounting control duties. The segregation of duties is a decision that must be made by management on a cost-benefit basis. Management must determine if the costs of implementing an adequate internal control system will outweigh the benefits derived from such a system. This reportable condition is inherent in all small entities, and should not be construed as a failure in proper management. We concur with management's opinion that the costs incurred to implement an adequate internal control system would exceed the benefits derived from such a system. Consequently, this should not be considered a controlled audit finding. Our study of the authority's internal control structure and its operation also disclosed reportable conditions relating to PHMAP assessment factors, payroll, and CIAP costs which are disclosed in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the Board of Commissioners, management and U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

September 11, 1996

Van Rheeunen & Miller, Ltd.
VanRheeunen & Miller, Ltd.
Certified Public Accountants

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

September 11, 1996

Van Rheeunen & Miller, Ltd.
VanRheeunen & Miller, Ltd.
Certified Public Accountants

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Independent Auditors' Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1996

Questioned
Costs

1. PHMAP ASSESSMENT FACTORS

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Finding

HUD Notice PIH 96-32 requires auditors to review several PHMAP indicators as reported to HUD with the supporting documentation. Data was not maintained in sufficient detail for the auditor to ascertain the propriety of indicators 1 (percent reduction over prior three years), indicator 3, indicator 5, and indicator 8. Also, the PHA is not using the HQS (or equivalent) inspection forms as called for by indicator 7.

Recommendation

Review the requirements of HUD Notice PIH 96-32 and comply with its directives.

Reply

We will obtain PHMAP instructions and comply on all future submissions.

2. PAYROLL

.00

Finding

The State of Louisiana authorized a special pay supplement for employees covered under state civil service. When making these payments, the PHA failed to withhold the appropriate payroll taxes.

Recommendation

Amend appropriate reports to correct and pay as required under state and federal payroll tax guidelines.

Finding

We will do so.

3. CIAP COSTS

.00

Finding

CIAP costs as reported in the general ledger are not in agreement to the Final Progress Report filed with the Actual Modernization Cost Certificate. The costs are in agreement in the aggregate, but individual line items vary.

Recommendation

Reconcile the general ledger and Final Progress Report. File an amended Final Progress Report if needed.

Reply

We will do so.

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Independent Auditors' General Comments
June 30, 1996

1. The PHA administers the following programs: 60 units of public housing and a CIAP.
2. HUD recommends that tenants' accounts receivable for units in possession should not exceed 10% of the average monthly rental charges. At June 30, 1996, the balance of tenants' accounts receivable was 25% of the average monthly rental charges.
3. The prior audit contained one finding:

<u>Finding</u>	<u>Resolution</u>
Examination of six tenant files disclosed one instance where no current income documentation could be found, one instance where no payment was made to tenant for utility allowance when required, and one instance where the 50058 bedroom size was inadvertently misstated.	No instances of noncompliance were found in current audit sample.

Independent Auditors' Report on Compliance with Specific Requirements
Applicable to NonMajor Federal Financial Assistance Program Transactions

Board of Commissioners
Housing Authority of the Town of Cottonport
650 Jacob Drive
Cottonport, LA 71327

We have audited the general purpose financial statements of Housing Authority of the Town of Cottonport as of and for the year ended June 30, 1996, and have issued our report thereon dated September 11, 1996.

In connection with our audit of the general purpose financial statements of Housing Authority of the Town of Cottonport as of and for the year ended June 30, 1996, and with our consideration of the authority's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the authority's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Housing Authority of the Town of Cottonport had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.

September 11, 1996

Van Rheenen & Miller, Ltd.
VanRheenen & Miller, Ltd.
Certified Public Accountants

SUPPLEMENTAL FINANCIAL INFORMATION

Independent Auditors' Report on the Internal Control Structure Based on an Audit of
General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners
Housing Authority of the Town of Cottonport
650 Jacob Drive
Cottonport, LA 71327

We have audited the general purpose financial statements of Housing Authority of the Town of Cottonport as of and for the year ended June 30, 1996, and have issued our report thereon dated September 11, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

The management of Housing Authority of the Town of Cottonport is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Housing Authority of the Town of Cottonport for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Our study of the authority's internal control structure disclosed a reportable condition in internal controls relating to segregation of duties. Due to its limited size, the entity does not have the personnel to adequately separate the internal accounting control duties. The segregation of duties is a decision that must be made by management on a cost-benefit basis. Management must determine if the costs of implementing an adequate internal control system will outweigh the benefits derived from such a system. This reportable condition is inherent in all small entities, and should not be construed as a failure in proper management. We concur with management's opinion that the costs incurred to implement an adequate internal control system would exceed the benefits derived from such a system. Consequently, this should not be considered a controlled audit finding.

Independent Auditors' Report on Compliance with the General Requirements
Applicable to Federal Financial Assistance Programs

Board of Commissioners
Housing Authority of the Town of Cottonport
650 Jacob Drive
Cottonport, LA 71327

We have audited the general purpose financial statements of Housing Authority of the Town of Cottonport as of and for the year ended June 30, 1996, and have issued our report thereon dated September 11, 1996.

We have applied procedures to test Housing Authority of the Town of Cottonport compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1996:

Political Activity
Davis-Bacon Act
Civil Rights
Cash Management
Federal Financial Reports (Claims for Advances and Reimbursements)
Allowable costs/Cost principles
Drug-Free Workplace Act
Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Housing Authority of the Town of Cottonport had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.

September 11, 1996

Van Rheenen & Miller, Ltd.
VanRheenen & Miller, Ltd.
Certified Public Accountants

Independent Auditors' Report on the Internal Control Structure Used in
Administering Federal Financial Assistance Programs

Board of Commissioners
Housing Authority of the Town of Cottonport
650 Jacob Drive
Cottonport, LA 71327

We have audited the general purpose financial statements of Housing Authority of the Town of Cottonport for the year ended June 30, 1996, and have issued our report thereon dated September 11, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1996, we considered the authority's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the authority's general purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated September 11, 1996.

The management of Housing Authority of the Town of Cottonport is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Activity Cycles
Treasury or financing
Revenue/receipts
Purchases/disbursements
External financial reporting
Payroll/personnel

NON-FINANCIAL SECTION

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

**Financial Statements and Supplemental Financial Information
Year Ended June 30, 1996
with
Reports of Certified Public Accountants
on Financial and Compliance Examination**

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 NOV 27 1996

VanRheenen & Miller, Ltd.
Certified Public Accountants
1309 East Race Avenue
Searcy, Arkansas 72143

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Schedule of Federal Financial Assistance
Year Ended June 30, 1996

Federal Grantor/ Program Title	Grant ID Number	Federal CFDA Number	Current Year Program or Award Amount	Balance Beginning of Year - Cash/ Receivable/ (Payable)	Grant Receipts or Revenue Recognized	Grant Disbursements/ Expenditures	Balance End of Year Cash/Receivable (Payable)
U.S. Department of Housing & Urban Development							
Direct Programs:							
Low-Income Housing							
Annual Contribution	FW-652	14.850	\$ 11,817.00	\$ 11,817.00	\$ 11,817.00	\$ 11,817.00	\$ 11,817.00
Operating Subsidies	FW-652	14.850	50,050.00	.00	50,050.00	50,050.00	.00
Total Low-Income Housing			\$ 61,867.00	\$ 11,817.00	\$ 61,867.00	\$ 61,867.00	\$ 11,817.00
CIAP	FW-652	14.852	.00	\$ (4,909.64)	\$ 24,000.00	\$ 28,909.64	\$.00
Total HUD and Grand Total			\$ 61,867.00	\$ 6,907.36	\$ 85,867.00	\$ 90,776.64	\$ 11,817.00

See Notes to Financial Statements.

SUPPLEMENTAL FINANCIAL INFORMATION - STATUTORY BASIS

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VANRHEENEN & MILLER, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

1309 E. Race Avenue · Searcy, Arkansas 72143 · (501) 268-8356 · Fax 268-9362

C. Mark VanRheenen, CPA
Steaven E. Miller Jr., CPA

L. Scott Rose, CPA

Independent Auditors' Report on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners
Housing Authority of the Town of Cottonport
650 Jacob Drive
Cottonport, LA 71327

We have audited the general purpose financial statements of Housing Authority of the Town of Cottonport as of and for the year ended June 30, 1996, and have issued our report thereon dated September 11, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Housing Authority of the Town of Cottonport is the responsibility of the authority's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners, management, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.

September 11, 1996

Van Rheenen & Miller, Ltd.
VanRheenen & Miller, Ltd.
Certified Public Accountants

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Notes to the Financial Statements (Continued)
June 30, 1996

j. During project development, interest expenditures are capitalized under pre-1987 financing agreements. Post-1986 capital projects are being financed by grants from HUD. Consequently, there are no interest expenditures to capitalize. Subsequent to completion of Pre-1987 financed developments, interest expenditures are not accrued but are recognized when paid.

6. Total columns on combined statements. Total columns on the combined statements are captioned Memo Totals to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Budget. The entity follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The entity prepares annual budgets for each fund (except Debt Service Fund and the Capital Projects Fund). Prior to the beginning of each budget year, the entity's annual budget is approved by the entity's governing body. Budgetary amendments require approval by the governing body. Budget amounts shown in the financial statements are the final authorized amounts for the year. All budgetary appropriations lapse at the end of each fiscal year.
2. Budgets for the Capital Projects Fund are prepared on a project-life basis rather than on an annual basis and, therefore, have been omitted from the accompanying financial statements.
3. Budgets for the Debt Service Fund are not prepared inasmuch as all revenues and expenditures of this fund are controlled by and processed by HUD. The entity records Debt Service Fund transactions from documents supplied by HUD.

D. Income taxes. The entity is not subject to federal or state income taxes.

E. Cash and cash equivalents. The entity defines cash to include certificates of deposit, money market funds, savings accounts, and demand deposits, and other short-term securities with maturities of three months or less. Consequently, the cost, carrying value, and market value are equivalent.

NOTE 2 - 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 June 30, 1996. 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.

Cash Deposits, categorized by level of risk, are:

Total Bank Balances	Category		
	1	2	3
\$ 24,736.10	\$ 24,736.10	\$.00	\$.00

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Analysis of General Fund Cash Balance
June 30, 1996

Annual Contributions Contract FW-652

Assets and Other Items

Cash	\$	23,139.75
Accounts receivable-tenants		1,106.00
Accounts receivable-other		414.41
Prepaid insurance		7,156.87
Materials inventory		15,589.48
Deferred charges		400.00
Total	\$	<u>47,806.51</u>

Liabilities, Reserves, and Other Items

Tenants' security deposits	\$	4,117.50
Accounts payable-other		1,280.64
Accrued PILOT		4,533.88
Operating reserve per PHA		31,479.26
Adjustments affecting OR (backed out)		6,395.23
Total	\$	<u>47,806.51</u>

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Balance Sheet - Statutory Basis
June 30, 1996

Annual Contributions Contract FW-652

Assets	
Cash	\$ 23,139.75
Accounts receivable-tenants	1,106.00
Accounts receivable-other	414.41
Prepaid insurance	7,156.87
Materials inventory (FIFO cost)	15,589.48
Debt amortization funds	11,901.67
Deferred charges	400.00
Fixed assets	2,079,115.21
	<hr/>
Total Assets	\$ 2,138,823.39
	<hr/> <hr/>
Liabilities and Surplus	
Tenants' security deposits	\$ 4,117.50
Accounts payable-other	1,280.64
Accrued PILOT	4,533.88
Fixed liabilities	78,251.02
	<hr/>
Total liabilities	\$ 88,183.04
Surplus	2,050,640.35
	<hr/>
Total Liabilities and Surplus	\$ 2,138,823.39
	<hr/> <hr/>

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

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Statement of Income and Expenses - Statutory Basis
Owned Housing Program
Year Ended June 30, 1996

Annual Contributions Contract FW-652

Operating income	\$		53,607.00
Dwelling rental			614.65
Interest on general fund investments			5,439.96
Other income			<hr/>
Total operating income	\$		59,661.61 <hr/>
Operating Expenses	\$		30,837.85
Administration			8,289.79
Utilities			47,746.88
Ordinary maintenance and operation			13,699.52
General expense			<hr/>
Total operating expenses	\$		100,574.04 <hr/>
Net operating income (loss) before other items	\$ (40,912.43) <hr/>
Other charges (credits)	\$		3,045.21
Interest expense			(519.00)
Prior year adjustments affecting RR			3,351.66
Prior year adjustments not affecting RR			15,049.00
Loss from disposition of equipment			<hr/>
Total other charges (credits)	\$		20,926.87 <hr/>
Net Income (Loss)	\$ (61,839.30) <hr/> <hr/>

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

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Analysis of Surplus - Statutory Basis
Year Ended June 30, 1996

Annual Contributions Contract FW-652

Unreserved surplus	
Balance per 6-30-95 audit	\$ (1,044,538.61)
Prior audit AJEs subsequently booked	3,351.66
Net income (loss) FYE 6-30-96	(61,839.30)
OR provision FYE 6-30-96	(291.77)
	<hr/>
Balance at 6-30-96	\$ (1,103,318.02)
	<hr/>
Reserved surplus	
Balance per 6-30-95 audit	\$ 31,187.49
OR provision FYE 6-30-96	291.77
	<hr/>
Balance at 6-30-96	\$ 31,479.26
	<hr/>
Cumulative contributions from HUD	
Balance per 6-30-95 audit	\$ 2,768,652.11
Contribution FYE 6-30-96	11,817.00
Operating subsidy FYE 6-30-96	50,050.00
	<hr/>
Balance at 6-30-96	\$ 2,830,519.11
	<hr/>
Grants from HUD	
Balance per 6-30-95 audit	\$ 267,960.00
Grants FYE 6-30-96	24,000.00
	<hr/>
Balance at 6-30-96	\$ 291,960.00
	<hr/>
Total Surplus	\$ 2,050,640.35
	<hr/> <hr/>

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

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Computation of Residual Receipts and Accruing Annual Contributions
Owned Housing Program
Year Ended June 30, 1996

Annual Contributions Contract FW-652

Computation of Residual Receipts

Operating receipts

Operating income	\$ 59,661.61
HUD operating subsidy	50,050.00
Prior year adjustments affecting residual receipts	519.00

Total operating receipts	\$ 110,230.61
--------------------------	---------------

Operating expenditures

Operating expenses	\$ 100,574.04
Capital expenditures	2,969.57

Total operating expenditures	\$ 103,543.61
------------------------------	---------------

RR before provision for reserve, per audit	\$ 6,687.00
Audit adjustments (backed out)	(6,395.23)

RR before provision for reserve, per PHA	\$ 291.77
Provision for operating reserve	(291.77)

Residual receipts per PHA	\$.00
---------------------------	--------

Computation of Accruing Annual Contribution

Fixed annual contribution	\$ 11,951.07 *
Less interest savings	134.07

Total annual contribution accrued	\$ 11,817.00
-----------------------------------	--------------

Less amount available for reduction of annual contribution - RR, above	.00
---	-----

Accruing annual contribution	\$ 11,817.00
------------------------------	--------------

*Subject to adjustment by HUD.

Housing Authority of the Town of Cottonport
Cottonport, Louisiana

Schedule and Certification of Actual Modernization Costs
June 30, 1996

Annual Contributions Contract FW-652

1. Funds approved	\$ 258,600.00
Funds expended	258,600.00
Excess of funds approved	<u>\$.00</u>
2. Funds advanced	\$ 258,600.00
Funds expended	258,600.00
Excess (deficiency) of funds advanced	<u>\$.00</u>
3. The distribution of costs by project as shown on the Final Progress Report accompanying the Actual Modernization Cost Certificate dated June 6, 1996, submitted to HUD for approval is not in agreement with the PHA records. All modernization costs have been paid and all related liabilities have been discharged through payment.	