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Housing Authority of the Town of Haynesville
Haynesville, Louisiana

Financial Statements and Supplemental Financial Information
Year Ended September 30, 1998
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 APR 28 1999

Receipt Acknowledged
Legislative Auditor

By 

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

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FINANCIAL SECTION

VANRHEENEN & MILLER, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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

C. Mark VanRheenen, CPA
Steven E. Miller Jr., CPA
I. Scott Rose, CPA

Independent Auditors' Report

Board of Commissioners
Housing Authority of the Town of Haynesville
1953 Mill Street
Haynesville, Louisiana 71038

We have audited the accompanying general purpose and combining financial statements of Housing Authority of the Town of Haynesville as of September 30, 1998, and for the year then ended, as listed in the table of contents. These general purpose and combining financial statements and the 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 general purpose and combining financial statements based on our audit.

Except as discussed in the following paragraph, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose and combining financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose and combining financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose and combining financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 8 to the financial statements, our testing of the eligibility of tenants participating in the Owned Housing Project of the Housing Authority of the Town of Haynesville revealed deficiencies in income verification and annual re-examinations. The effect of this non-compliance with the annual contributions contract with the U.S. Department of Housing and Urban Development on the financial statements cannot be readily determined at this time, and accordingly, no provision for any liability has been made in the general purpose and combining financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to assess the effect of the non-compliance on the general purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the Town of Haynesville as of September 30, 1998, 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 January 19, 1999 on our consideration of Housing Authority of the Town of Haynesville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose and combining financial statements. The accompanying financial information listed as 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 Haynesville. 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to assess the effect of the non-compliance on the general purpose and combining financial statements is fairly presented in all material respects in conformity with the comprehensive basis of accounting described in Note 1.

January 19, 1999

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

Members, American Institute of Certified Public Accountants

GENERAL PURPOSE FINANCIAL STATEMENTS

Housing Authority of the Town Of Haynesville
Haynesville, Louisiana

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1998

	Governmental Fund Types		Account Groups		Memo Totals 1998	Memo Totals 1997
	Special Revenue	Debt Service	General Fixed Assets	General Long-term Debt		
Assets and Other Debits						
Assets:						
Cash	\$ 61,663.31	\$ -	\$ -	\$ -	\$ 61,663.31	\$ 60,901.12
Investments	38,500.95	-	-	-	38,500.95	38,500.95
Receivables:						
Accounts	6,016.79	-	-	-	6,016.79	4,757.38
Other governments	-	135,011.39	-	-	135,011.39	135,011.39
Other	1,217.13	-	-	-	1,217.13	667.13
Due from other funds	10,075.62	-	-	-	10,075.62	19,040.92
Prepaid items	9,864.06	-	-	-	9,864.06	9,864.06
Restricted assets:						
Cash	-	3,872.02	-	-	3,872.02	3,410.31
Fixed assets	-	-	5,312,913.84	-	5,312,913.84	5,309,277.84
Other debits:						
Amount available in debt service fund	-	-	-	138,883.41	138,883.41	138,421.70
Amount to be provided for retirement of general long term debt	-	-	-	1,207,097.92	1,207,097.92	1,262,107.97
Total Assets and Other Debits	\$ 127,337.86	\$ 138,883.41	\$ 5,312,913.84	\$ 1,345,981.33	\$ 6,925,116.44	\$ 6,981,960.77
Liabilities, Equity, and Other Credits						
Liabilities:						
Accounts payable:						
Trade	\$ 8,639.48	\$ -	\$ -	\$ -	\$ 8,639.48	\$ 12,841.16
Other governments	10,075.62	-	-	-	10,075.62	19,040.92
Payroll taxes withheld and accrued	2,494.22	-	-	-	2,494.22	-
Security deposits	3,165.00	-	-	-	3,165.00	2,685.00
Due to other funds	10,075.62	-	-	-	10,075.62	19,040.92
Deferred revenue	-	-	-	-	-	676.42
Fixed liabilities	-	-	-	1,345,981.33	1,345,981.33	1,400,529.67
Total liabilities	34,449.94	-	-	1,345,981.33	1,380,431.27	1,454,814.09
Equity and Other Credits:						
Investment in general fixed assets	-	-	5,312,913.84	-	5,312,913.84	5,309,277.84
Fund balances:						
Reserved for debt service	-	138,883.41	-	-	138,883.41	138,421.70
Reserved for prepaids	9,864.06	-	-	-	9,864.06	9,864.06
Unreserved, undesignated	83,023.86	-	-	-	83,023.86	69,583.08
Total Equity and Other Credits	92,887.92	138,883.41	5,312,913.84	-	5,544,685.17	5,527,146.68
Total Liabilities, Equity and Other Credits	\$ 127,337.86	\$ 138,883.41	\$ 5,312,913.84	\$ 1,345,981.33	\$ 6,925,116.44	\$ 6,981,960.77

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

**Housing Authority of the Town Of Haynesville
Haynesville, Louisiana**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Governmental Fund Types
Year Ended September 30, 1998**

	<u>Governmental Fund Types</u>		Memo Totals 1998	Memo Totals 1997
	<u>Special Revenue</u>	<u>Debt Service</u>		
Revenues:				
Rents	\$ 110,767.00	\$ -	\$ 110,767.00	\$ 108,467.00
Charges for services	1,637.63	-	1,637.63	1,197.53
Operational subsidies/grants	173,981.30	135,011.39	308,992.69	484,324.90
Interest	1,925.04	-	1,925.04	718.76
	<u>288,310.97</u>	<u>135,011.39</u>	<u>423,322.36</u>	<u>594,708.19</u>
Total Revenues				
Expenditures				
Current:				
Housing operations	271,234.19	-	271,234.19	246,977.30
Capital outlay	3,636.00	-	3,636.00	207,413.60
Debt service				
Principal	-	52,542.72	52,542.72	50,926.70
Interest	-	82,006.96	82,006.96	85,081.78
	<u>274,870.19</u>	<u>134,549.68</u>	<u>409,419.87</u>	<u>590,399.38</u>
Total Expenditures				
Excess of Revenues over (under) Expenditures	13,440.78	461.71	13,902.49	4,308.81
Fund balances, beginning of period	<u>79,447.14</u>	<u>138,421.70</u>	<u>217,868.84</u>	<u>213,560.03</u>
Fund Balance, end of period	<u>\$ 92,887.92</u>	<u>\$ 138,883.41</u>	<u>\$ 231,771.33</u>	<u>\$ 217,868.84</u>

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

Housing Authority of the Town Of Haynesville
Haynesville, Louisiana

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - All Governmental Fund Types
Year Ended September 30, 1998

	Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Rents	\$ 108,980.00	\$ 110,767.00	\$ 1,787.00
Charges for services	1,850.00	1,637.63	(212.37)
Operational subsidies/grants	165,016.00	173,981.30	8,965.30
Interest	4,180.00	1,925.04	(2,254.96)
	<u>280,026.00</u>	<u>288,310.97</u>	<u>8,284.97</u>
Total Revenues			
Expenditures			
Current:			
Administrative salaries	78,930.00	81,029.55	(2,099.55)
Professional fees	8,330.00	5,147.00	3,183.00
Travel	1,380.00	1,039.01	340.99
Sundry administration	14,990.00	7,744.30	7,245.70
Tenant services	7,800.00	16,440.30	(8,640.30)
Utilities	62,540.00	61,709.67	830.33
Maintenance salaries	39,240.00	37,574.90	1,665.10
Maintenance materials	4,700.00	7,910.50	(3,210.50)
Other maintenance costs	8,600.00	8,557.94	42.06
Insurance	26,850.00	27,412.00	(562.00)
Employee benefits	13,170.00	15,369.62	(2,199.62)
Collection losses	-	1,299.40	(1,299.40)
Capital expenditures	12,110.00	3,636.00	8,474.00
	<u>278,640.00</u>	<u>274,870.19</u>	<u>3,769.81</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	<u>\$ 1,386.00</u>	13,440.78	<u>\$ 12,054.78</u>
Fund balances, beginning of period		<u>79,447.14</u>	
Fund Balance, end of period		<u>\$ 92,887.92</u>	

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

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

**Notes to the Financial Statements
September 30, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction.

The financial statements of the entity have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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.

The following is a summary of significant accounting policies:

A. Reporting Entity.

The entity is a public corporation, legally separate, fiscally independent and governed by Board of Commissioners. 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 Haynesville, 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.

B. Basis of Presentation.

1. Funds and Account Groups. 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 accounts are grouped, in the financial statements in this report, into the following 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.

Account Groups

The account groups are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

2. Comparative Data. Comparative total data for the prior year have been presented in some accompanying financial statements in order to provide an understanding of changes in the entity's financial position and operations. However, comparative data by fund type have not been presented in each of the statements since inclusion of such data would make the statements unduly complex and difficult to read.
3. 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.

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

**Notes to the Financial Statements (Continued)
September 30, 1998**

4. Land, Structures, and Equipment. Land, structures and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. No depreciation has been provided on such assets. 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.
5. Capitalized Interest. 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.
6. Long-term Liabilities. 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.
7. Fund Balance Reservations. Special reporting treatment is also applied in governmental funds when 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.

C. Basis of Accounting.

1. Modified Accrual Basis of Accounting. All governmental fund types are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. 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 reported as expenditures in the year due.

The entity does not utilize encumbrance accounting.

2. 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. Expenditures under HUD's Youth Sports Program are recorded on a project-life basis. Upon fulfillment of the grant agreement, noncapitalized expenditures are closed into surplus.
 - i. The entity does not utilize encumbrance accounting.
 - j. 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 Haynesville
Haynesville, Louisiana**

**Notes to the Financial Statements (Continued)
September 30, 1998**

- k. 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.

D. Budgetary Data.

1. Budget Policy and Practice. The entity follows these procedures in establishing the budgetary data reflected in the financial statements:
 - a. The entity prepares annual budgets for each fund (except Debt Service 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.
 - b. 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.
2. Encumbrances. Encumbrance accounting is not utilized by the entity.
3. Budget Basis of Accounting. The budgets are prepared on the statutory basis of accounting as prescribed by HUD.

E. Assets, Liabilities and Fund Equity.

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

F. Revenue, Expenditures and Expenses.

1. Compensated Absences. 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.
2. Income Taxes. The entity is not subject to federal or state income taxes.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

It is the entity's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at September 30, 1998. 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. (This includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

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

**Notes to the Financial Statements (Continued)
September 30, 1998**

Cash Deposits, categorized by level of risk, are:

Total Bank Balances	Category		
	1	2	3
\$ 61,970.59	\$ 61,970.59	\$.00	\$.00

B. Investments

Investing is performed in accordance with HUD regulations and State Statues. Funds may be invested in the following type of investments:

1. Direct obligations of the United States pledged by its full faith and credit
2. Obligations of Federal government agencies and government sponsored agencies
3. Demand, savings, money-market, certificates of deposit, and Super NOW deposits at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC or the National Credit Union Share Insurance Fund (NCUSIF) and any deposits in excess of insured amounts are adequately collateralized.
4. Certain municipal depository funds and local government investment pools provided that all investments made by these funds or pools are on the HUD-approved list of investment securities. The entity must limit its investments in this category to no more than 30 percent of the entity's available investment funds.
5. Repurchase agreements for a term of 30 days or less entered into with Federally insured depository institutions for purchase and sale of securities identified in 1 and 2 above.
6. Certain no-load, open-end mutual funds investing in only HUD-approved investment securities. The entity must limit its investment in this category to no more than 20 percent of the entity's available investment funds.

The entity's investments are categorized to give an indication of the level of risk assumed by the entity at September 30, 1998. The categories are:

- Category 1 - Insured or registered, with securities held by the entity or its agent in the entity's name
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name
- Category 3 - Uninsured and Unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name

Investments, categorized by level of risk, are:

Types of Investments	Category			Fair Value/ Carrying Value	Cost
	1	2	3		
Deposits at federally insured depositories	\$ 38,500.95	\$.00	\$.00	\$ 38,500.95	\$ 38,500.95

NOTE 3 - RESTRICTED CASH

Restricted cash consists of the following:

Debt Service Fund	\$ 3,872.02
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**Housing Authority of the Town of Haynesville
Haynesville, Louisiana**

**Notes to the Financial Statements (Continued)
September 30, 1998**

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The following schedule as of September 30, 1998 represents interfund receivables and payables:

Fund Type	Interfund Receivables	Interfund Payables
Special Revenue:		
Owned Housing	\$.00	\$ 10,075.62
Youth Sports Program	10,075.62	.00
Total	<u>\$ 10,075.62</u>	<u>\$ 10,075.62</u>

NOTE 5 - FIXED ASSETS

Changes in fixed assets are as follows:

	Beg. of Period	Additions	Deletions	End of Period
Land, land impvts.	\$ 342,747.00	\$ 180,496.00	\$.00	\$ 523,243.00
Building	3,377,182.98	1,178,690.00	.00	4,555,872.98
Equipment	178,702.86	55,095.00	.00	233,797.86
Const. in progress	1,410,645.00	.00	(1,410,645.00)	.00
Total	<u>\$ 5,309,277.84</u>	<u>\$ 1,414,281.00</u>	<u>\$ (1,410,645.00)</u>	<u>\$ 5,312,913.84</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 federal government and to protect other interests of the federal government.

NOTE 6 - FIXED LIABILITIES

Fixed liabilities consist of the following:

	Interest Rate	Principal Balance
Payroll related costs		\$ 4,430.40
HUD notes payable	various	13.36
FFB note dated September 4, 1981	6.600%	691,877.18
Bonds payable, August 1, 1972 series	5.125%	649,660.39
Total		<u>\$ 1,345,981.33</u>

HUD notes payable are held and guaranteed by HUD. Under provisions of the federal Debt Forgiveness Act of 1985, these notes and accrued interest on these notes are to be forgiven by HUD. Timing of this action is uncertain.

The Federal Financing Bank note is payable in annual installments of \$71,331.27, including principal and interest. All annual installments to maturity are payable by HUD. The note matures November 1, 2013.

The bonds mature in series annually in varying amounts with the final maturity date in 2013. 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:

	FFB Notes	HUD Notes	Bonds	Payroll Related Costs
Bal., beg. of period	\$ 715,955.39	\$ 13.36	\$ 678,124.90	\$ 6,436.02
Principal retirement	(24,078.21)	.00	(28,464.51)	.00
Net Change	.00	.00	.00	(2,005.62)
Bal., end of period	<u>\$ 691,877.18</u>	<u>\$ 13.36</u>	<u>\$ 649,660.39</u>	<u>\$ 4,430.40</u>

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

**Notes to the Financial Statements (Continued)
September 30, 1998**

Scheduled retirements of fixed liabilities are as follows:

	FFB Notes	Bonds	Interest	Total
Within first year	\$ 25,667.38	\$ 30,138.90	\$ 78,958.98	\$ 134,765.26
Within second year	27,361.42	31,813.28	75,720.33	134,895.03
Within third year	29,051.76	33,487.66	72,399.56	134,938.98
Within fourth year	31,084.69	36,836.43	68,650.38	136,571.50
Within fifth year	33,136.28	36,836.42	64,710.93	134,683.63
Thereafter	545,575.65	480,547.70	752,038.41	1,778,161.76

NOTE 7 - YEAR 2000 (Y2K) ISSUE

The entity is currently working to resolve the potential impact of the Year 2000 (Y2K) on the processing of date-dependent information by the computerized information systems being utilized. They are in the remediation stage of compliance. While a Y2K compliance plan has been developed and is being implemented, there still remain components of the automated environments that are not Y2K compliant. The Y2K issue is the result of computer programs being written using two digits (rather than four) to define a year. This could result in miscalculations or system failures. The PHA has spent \$3,636.00 during the 1997-98 year to make their application software, operating systems, and computer hardware Y2K compliant. Additional funds will be required to complete the Y2K conversion. These costs are not expected to have a material impact on the PHA's financial operations. However, if the entity and/or their hardware and software vendors are unable to resolve the outstanding Y2K issues in a timely manner, the Y2K issue is not expected to be material to the financial statements or its operations.

NOTE 8 - 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.

As described in item 98-1 of the schedule of findings and questioned costs, the PHA did not comply with eligibility requirements regarding the verification of tenants income and the conducting of annual re-examinations. The effect of this non-compliance with the annual contributions contract with HUD on the financial statements cannot readily be determined at this time, and accordingly, no provision for any liability has been made in the general purpose financial statements.

The entity failed to submit Louisiana State Income Tax Withholding reports or make payments for withholdings during the fiscal year ended September 30, 1998, therefore, the PHA may be subject to related penalties and interest. No provision for these potential liabilities has been made due to the uncertainty of their occurrence and amount.

COMBINING STATEMENTS

**Housing Authority of the Town Of Haynesville
Haynesville, Louisiana**

**Combining Balance Sheet - All Special Revenue Funds
September 30, 1998**

	<u>Owned Housing FW-1421</u>	<u>Youth Sports Grant FW-1421</u>	<u>Totals</u>
Assets and Other Debits			
Assets:			
Cash	\$ 61,663.31	\$ -	\$ 61,663.31
Investments	38,500.95	-	38,500.95
Receivables:			
Accounts	6,016.79	-	6,016.79
Other	1,217.13	-	1,217.13
Due from other funds	-	10,075.62	10,075.62
Prepaid items	9,864.06	-	9,864.06
Total Assets and Other Debits	<u>\$ 117,262.24</u>	<u>\$ 10,075.62</u>	<u>\$ 127,337.86</u>
Liabilities, Equity, and Other Credits			
Liabilities:			
Accounts payable:			
Trade	\$ 8,639.48	\$ -	\$ 8,639.48
Other governments	-	10,075.62	10,075.62
Payroll taxes withheld and accrued	2,494.22	-	2,494.22
Security deposits	3,165.00	-	3,165.00
Due to other funds	10,075.62	-	10,075.62
Total liabilities	<u>24,374.32</u>	<u>10,075.62</u>	<u>34,449.94</u>
Equity and Other Credits:			
Fund balances:			
Reserved for prepaids	9,864.06	-	9,864.06
Unreserved, undesignated	83,023.86	-	83,023.86
Total Equity and Other Credits	<u>92,887.92</u>	<u>-</u>	<u>92,887.92</u>
Total Liabilities, Equity and Other Credits	<u>\$ 117,262.24</u>	<u>\$ 10,075.62</u>	<u>\$ 127,337.86</u>

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

**Housing Authority of the Town Of Haynesville
Haynesville, Louisiana**

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances -
All Special Revenue Funds
Year Ended September 30, 1998**

	Owned Housing FW-1421	Youth Sports Grant FW-1421	Totals
Revenues:			
Rents	\$ 110,767.00	-	110,767.00
Charges for services	1,637.63	-	1,637.63
Operational subsidies/grants	165,016.00	8,965.30	173,981.30
Interest	1,925.04	-	1,925.04
Total Revenues	<u>279,345.67</u>	<u>8,965.30</u>	<u>288,310.97</u>
Expenditures			
Current:			
Administrative salaries	81,029.55	-	81,029.55
Professional fees	5,147.00	-	5,147.00
Travel	1,039.01	-	1,039.01
Sundry administration	7,744.30	-	7,744.30
Tenant services	7,475.00	8,965.30	16,440.30
Utilities	61,709.67	-	61,709.67
Maintenance salaries	37,574.90	-	37,574.90
Maintenance materials	7,910.50	-	7,910.50
Other maintenance costs	8,557.94	-	8,557.94
Insurance	27,412.00	-	27,412.00
Employee benefits	15,369.62	-	15,369.62
Collection losses	1,299.40	-	1,299.40
Capital Expenditures:	3,636.00	-	3,636.00
Total Expenditures	<u>265,904.89</u>	<u>8,965.30</u>	<u>274,870.19</u>
Excess of Revenues (over) (under) Expenditures	13,440.78	-	13,440.78
Fund Balance, beginning of period	<u>79,447.14</u>	<u>-</u>	<u>79,447.14</u>
Fund Balance, end of period	<u>\$ 92,887.92</u>	<u>\$ -</u>	<u>\$ 92,887.92</u>

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

SUPPLEMENTAL FINANCIAL INFORMATION - STATUTORY BASIS

Housing Authority of the Town Of Haynesville
Haynesville, Louisiana

Balance Sheet - Statutory Basis
September 30, 1998

Annual Contributions Contract FW-1421

Assets

Cash-checking and on hand	\$ 61,663.31
Investments	38,500.95
Accounts receivable-tenants	6,016.79
Accounts receivable-other	1,217.13
Prepaid insurance	9,864.06
Debt amortization funds	138,883.41
Public housing drug elimination program	114,924.38
Fixed assets	<u>5,312,913.84</u>
Total Assets	<u>\$ 5,683,983.87</u>

Liabilities and Surplus

Tenants' security deposits	\$ 3,165.00
Accounts payable-other	8,639.48
Accrued and withheld payroll taxes	2,494.22
Fixed liabilities	<u>1,341,550.93</u>
Total liabilities	1,355,849.63
Surplus	<u>4,328,134.24</u>
Total Liabilities and Surplus	<u>\$ 5,683,983.87</u>

Housing Authority of the Town Of Haynesville
Haynesville, Louisiana

Statement of Income and Expenses - Statutory Basis
Owned Housing Program
Year Ended September 30, 1998

Annual Contributions Contract FW-1421

Operating income	\$ 110,767.00
Dwelling rental	1,925.04
Interest on general fund investments	1,637.63
Other Income	<u>1,637.63</u>
Total operating income	<u>114,329.67</u>
Operating Expenses	94,959.86
Administration	7,475.00
Tenant services	61,709.67
Utilities	54,043.34
Ordinary maintenance and operations	44,081.02
General expense	<u>44,081.02</u>
Total operating expenses	<u>262,268.89</u>
Net operating income (loss) before other items	(147,939.22)
Other charges (credits)	82,006.96
Interest expense	5,460.30
Prior year adjustments affecting residual receipts	<u>5,460.30</u>
Total other charges (credits)	<u>87,467.26</u>
Net Income (Loss)	<u>\$ (235,406.48)</u>

Housing Authority of the Town Of Haynesville
Haynesville, Louisiana

Analysis of Surplus - Statutory Basis
September 30, 1998

Annual Contributions Contract FW-1421

Unreserved surplus	
Balance per 9-30-97 audit	\$ (3,828,746.70)
Prior audit AJEs subsequently booked	5,460.30
Net income (loss) FYE 9-30-98	(235,406.48)
OR provision FYE 9-30-98	<u>(6,541.92)</u>
Balance at 9-30-98	<u>(4,065,234.80)</u>
Reserved Surplus	
Balance per 9-30-97 audit	84,907.44
OR provision FYE 9-30-98	<u>6,541.92</u>
Balance at 9-30-98	<u>91,449.36</u>
Cumulative contributions from HUD	
Balance per 9-30-97 audit	4,776,433.29
Contribution FYE 9-30-98	135,011.39
Operating subsidy FYE 9-30-98	<u>165,016.00</u>
Balance at 9-30-98	<u>5,076,460.68</u>
Grants from HUD	
Balance per 9-30-97 audit	<u>3,225,459.00</u>
Balance at 9-30-98	<u>3,225,459.00</u>
Total Surplus	<u>\$ 4,328,134.24</u>

**Housing Authority of the Town Of Haynesville
Haynesville, Louisiana**

**Computation of Residual Receipts and Accruing Annual Contributions
Owned Housing Program
Year Ended September 30, 1998**

Annual Contributions Contract FW-1421

Computation of Residual Receipts	
Operating receipts	\$ 114,329.67
Operating income	165,016.00
HUD operating subsidy	<u> </u>
Total operating receipts	<u>279,345.67</u>
Operating expenditures	
Operating expenses	262,268.89
Prior year adjustments affecting residual receipts	5,460.30
Capital expenditures	<u>3,636.00</u>
Total operating expenditures	<u>271,365.19</u>
Residual Receipts before provision for reserve, per audit	7,980.48
Audit adjustments (backed out)	<u>(1,438.56)</u>
Residual Receipts before provision for reserve, per PHA	6,541.92
Provision for operating reserve	<u>(6,541.92)</u>
Residual receipts per PHA	<u>\$ (0.00)</u>
Computation of Accruing Annual Contributions	
Fixed annual contributions*	\$ 135,697.89
Less interest savings	<u>(686.50)</u>
Total annual contribution accrued	135,011.39
Less amount available for reduction of annual contribution - Residual Receipts above	<u>(0.00)</u>
Accruing annual contribution	<u>\$ 135,011.39</u>

* Subject to adjustment by HUD.

Housing Authority of the Town Of Haynesville
Haynesville, Louisiana

Schedule of Youth Sports Program Costs
September 30, 1998

Annual Contributions Contract FW-1421

1. Funds approved	\$ 125,000.00
Funds expended	<u>114,924.38</u>
Excess of funds approved	<u>\$ 10,075.62</u>
2. Funds advanced	\$ 125,000.00
Funds expended	<u>114,924.38</u>
Excess (deficiency) of funds advanced	<u>\$ 10,075.62</u>

Housing Authority of the Town Of Haynesville
Haynesville, Louisiana

Analysis of General Fund Cash Balance
September 30, 1998

Annual Contributions Contract FW-1421

Assets and Other Items

Cash-checking and on hand	\$ 61,663.31
Investments	38,500.95
Adjustment for Youth Sports Program funding	(10,075.62)
Accounts receivable-tenants	6,016.79
Accounts receivable-other	1,217.13
Prepaid insurance	<u>9,864.06</u>
Total	<u>\$ 107,186.62</u>

Liabilities, Reserves, and Other Items

Tenants' security deposits	\$ 3,165.00
Accounts payable-other	8,639.48
Accrued and withheld payroll taxes	2,494.22
Operating reserve per PHA	91,449.36
Adjustments affecting Operating Reserve (backed out)	<u>1,438.56</u>
Total	<u>\$ 107,186.62</u>

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

Owned Housing Program

**Adjusting Journal Entries
September 20, 1998**

Annual Contributions Contract FW-1421

	Acct. # for audit report	Acct. # for posting by PHA	Debit	Credit
(1)				
Development Costs	1400.2	14000200	\$ 1,410,645.00	
Land, Structures, & Equipment	1400.4	14041405	1,410,645.00	
Modernization Costs	1400.2M	1405		\$ 788,190.00
Modernization Costs	1400.2M	1406		622,455.00
Development Costs Contra	1400.3	14000300		1,410,645.00
To close-out CIAPs. Fee accountant should also adjust subsidiary accounts.				
(2)				
Permanent Notes-F.F.B.	2312	2312	24,078.21	
Interest Expense	5610	6020	47,253.06	
Cumulative HUD AC	2840	2840		71,331.27
To record November 1, 1997, F.F.B. note payment per amortization schedule.				
(3)				
Accounting and Auditing	4170	DO NOT	1,595.00	
Administrative Sundry	4190	BOOK		1,595.00
To reclassify audit costs. For report purposes only.				
(4)				
Prepaid Insurance	1211	1211	9,864.06	
Prior Year Adjust. Affect. RR	6010	6010		9,864.06
To correct recording of J.V. No. 34.				
(5)				
Prior Year Adjust. Affect. RR	6010	DO	5,460.30	
Water	4310			2,508.75
Electricity	4320	NOT		931.06
Gas	4330			38.57
Other Utilities Expense	4390	BOOK		1,981.92
To reverse the effect of prior year accounts payable accrual.				

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

Owned Housing Program

**Adjusting Journal Entries (Continued)
September 30, 1998**

Annual Contributions Contract FW-1421

	Acct. # for audit report	Acct. # for posting by PHA	Debit	Credit
(6)				
Employee Benefits	4540	DO NOT	\$ 1,046.14	
Insurance	4510	BOOK		\$ 1,046.14
To reclassify employee benefits. For report purposes only.				
(7)				
FIT Payable	2117.1	21170100	761.33	
Employee Benefits	4540	6010		213.98
SIT Payable	2117.3	21170300		547.35
To correct recording of J.V. No 34 and allocation of check #2451.				
(8)				
Electricity	4320	DO	817.76	
Water	4310		3,506.09	
Other Utilities Expense	4390		1,641.82	
Maintenance Contract Costs	4430	NOT	32.00	
Gas	4330		33.81	
Insurance	4510		1,806.00	
Insurance	4510		802.00	
Accounts Payable - other	2119	BOOK		8,639.48
To record accounts payable as of September 30, 1998. For report purposes only.				

VANRHEENEN & MILLER, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

C. Mark VanRheenen, CPA
Steven E. Miller Jr., CPA
L. Scott Rose, CPA

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

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

Board of Commissioners
Housing Authority of the Town of Haynesville
1953 Mill Street
Haynesville, Louisiana 71038

We have audited the general purpose and combining financial statements of Housing Authority of the Town of Haynesville as of and for the year ended September 30, 1998, and have issued our report thereon dated January 19, 1999, which was qualified due to the effect of the non-compliance discussed in Note 8. Except as disclosed in the preceding sentence, 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.

Compliance

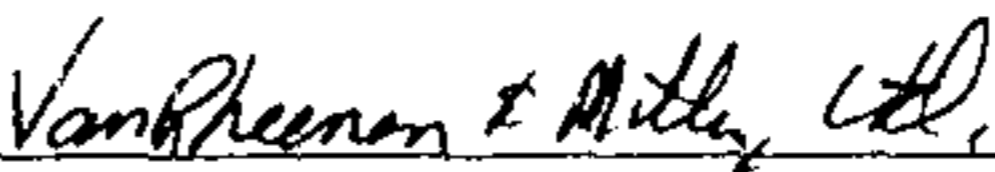
As part of obtaining reasonable assurance about whether Housing Authority of the Town of Haynesville's general purpose and combining financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as item 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Authority of the Town of Haynesville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose and combining financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Housing Authority of the Town of Haynesville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 98-1 to be 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.


VanRheenen & Miller, Ltd.
Certified Public Accountants

January 19, 1999

**Housing Authority of the Town of Haynesville
Schedule of Findings and Questioned Costs
Year Ended September 30, 1998**

FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

98-1. TENANT FILES

Condition and Criteria: During tests of 10 tenant files, the following deficiencies were noted:

1. In eight files, the tenant had not signed an application for each year of occupancy.
2. HUD Form 9886, Authorization for the Release of Information were:
 - a. not signed or dated in five files,
 - b. expired in one file, and
 - c. not dated in two files.
3. Third party verification of income was:
 - a. not noted in six files, and
 - b. not noted for the period being tested in three files.
4. Five files contained no documentation for medical expense deductions.
5. Nine files had insufficient verification to support the accuracy of the rent calculation.
6. In seven files, re-examination had not been performed on an annual basis.
7. In six files, the HUD Form 50058 was not in agreement with information in the tenant file.
8. No HUD Form 50058s were submitted to the MTCS processing center.

Effect: The amount of dwelling rental income may be materially misstated.

Recommendation: The PHA should immediately perform re-examinations for every active tenant, including a checklist showing every document required by HUD to be included in each tenant's file and obtain the required documentation.

Response: Staff has begun to perform re-examination for every active tenant. A check list has been placed in the file of each resident to ensure accuracy of information needed. Staff will express to residents the importance of reporting changes in their income and other household information.

Staff has received training on submitting Form 50058's to MTCS processing center.

**Housing Authority of the Town of Haynesville
Summary Schedule of Prior Audit Findings
Year Ended September 30, 1998**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

97-1 (FINANCIAL STATEMENTS)

BUDGET OVERRUNS (INITIAL FINDING - PRE 1996)

Condition: This finding was a reportable condition stating the PHA had budget overruns of 20.2% in the category of *Total Administrative Expenses during the fiscal year ended September 30, 1997.*

Recommendation: The auditor recommended expenditure accounts should be monitored closely to ensure that expenditures do not exceed the HUD approved budget.

Current status: Corrective action was taken.

97-2 (FINANCIAL STATEMENTS)

TENANT FILES (INITIAL FINDING - PRE 1996)

Condition: Of twelve tenant files tested, the following deficiencies were noted:

1. In nine files, the tenants had not signed an application for each year of occupancy.
2. Seven files contained no signed HUD Form 9886.
3. Seven files contained no verification of income used in the rent calculation.
4. Seven files contained no documentation to support the medical expense or child care deduction.
5. In five files, annual re-examinations had not been performed on an annual basis.
6. One file had a HUD Form 50058 that was not in agreement with information in the tenant file and was not submitted to the MTCS processing center by the due date.

Recommendation: The auditor recommended a thorough review of all tenant files should be made to eliminate any deficiencies.

Planned corrective action: The staff has prepared a checklist for items needed in each resident folder in order to ensure all necessary forms, letters, etc., are placed by re-examination date.

Current status: Similar deficiencies were noted and are described in the current audit finding 98-1.

97-3 (FEDERAL PROGRAMS)

TENANT FILES (INITIAL FINDING - PRE 1996)

Condition: See FINDING 97-2.

Recommendation: See FINDING 97-2.

Planned corrective action: See FINDING 97-3

Current Status: Finding is related to Federal Programs which are not reported on under Government Auditing Standards, however, this finding is unresolved.

97-4 (FEDERAL PROGRAMS)

BUDGET OVERRUNS (INITIAL FINDING - PRE 1996)

Condition: See FINDING 97-1.

Recommendation: See FINDING 97-1.

Current Status: See FINDING 97-1.

**HAYNESVILLE HOUSING AUTHORITY
P.O. BOX 751
Haynesville, Louisiana 71038**

**CORRECTIVE ACTION PLAN
March 24, 1999**

U.S. Department of Housing and Urban Development

Haynesville Housing Authority respectfully submits the following corrective action plan for the year ended September 30, 1998.

Name and address of independent public accounting firm: VanRheenen, Miller & Rose
1309 E. Race Ave., Searcy, AR 72143

Audit period: **September 30, 1998**

The findings from the January 19, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, *Summary of Audit Results*, does not included findings and is not addressed.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT
Reportable Condition**

1. 98-1 Tenant Files

Condition and Criteria: During tests of 10 tenant files, the following deficiencies were noted:

1. In eight files, the tenant had not signed an application for each year of occupancy.
2. HUD Form 9886, Authorized for the Release of information were:
 - a. not signed as dated in five files,
 - b. expired in one file, and
 - c. not dated in two files

3. Third party verification of income was:
 - a. not noted in six files, and
 - b. not noted for the period being tested in three files.
4. Five files contained no documentation for medical expenses deductions.
5. Nine files had insufficient verification to support the accuracy of the rent calculation.
6. In seven files, re-examination had not been performed on an annual basis.
7. In six files, the HUD Form 50058 was not in agreement with information in the tenant file.
8. No HUD Form 50058 were submitted to the MTCS processing center.

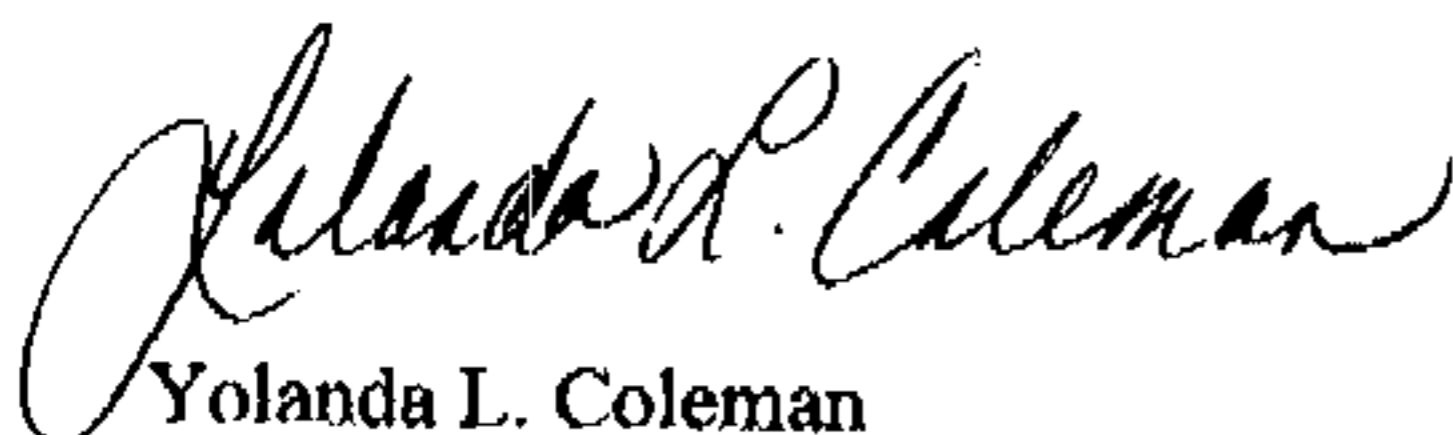
Recommendation: The PHA should immediately perform re-examinations for every active tenant, including a checklist showing every document required by HUD to be included in each tenant's file and obtain the required documentation.

Action Taken: Staff has begun to perform re-examination for every active tenant. A check list has been placed in the file of each resident to ensure accuracy of information needed. Staff will express to residents the importance of reporting changes in their income and other household information.

Staff has received training on submitting Form 50058's to MTCS processing center.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Yolanda L. Coleman at 318-624-1272.

Sincerely yours,

A handwritten signature in cursive script that reads "Yolanda L. Coleman". The signature is written in black ink and is positioned above the printed name and title.

Yolanda L. Coleman
Assistant Housing Director