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PARK PLACE OF DEQUINCY, INC.
FINANCIAL STATEMENTS
Years Ended December 31, 1998 and 1997

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 JUN 09 1999

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Mires & Company
A Professional Corporation

Certified Public Accountants

Members:
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants
Private Company Practice Section AICPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Park Place of DeQuincy, Inc.

We have audited the accompanying statements of financial position of Park Place of DeQuincy, Inc. (a nonprofit organization) as of December 31, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Park Place of DeQuincy, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Park Place of DeQuincy, Inc. as of December 31, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 1999, on our consideration of Park Place of DeQuincy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Park Place of DeQuincy, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. The other accompanying financial information listed as

Board of Directors
Park Place of DeQuincy, Inc.
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"supplementary reports and schedules" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the financial statements referred to above; and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mires & Company, CPAs, APC

Mires & Company, CPAs, APC
April 21, 1999

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FINANCIAL STATEMENTS

	<u>1998</u>	<u>1997</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,437	\$ 5,155
Payroll taxes payable	300	384
Interest payable	2,074	2,093
Security deposits payable	2,700	2,700
Current portion of long-term debt	<u>2,813</u>	<u>2,573</u>
TOTAL CURRENT LIABILITIES	11,324	12,905
LONG-TERM DEBT, net of current portion	<u>1,063,328</u>	<u>1,066,141</u>
TOTAL LIABILITIES	<u>1,074,652</u>	<u>1,079,046</u>
NET ASSETS:		
Unrestricted - operating	(319,372)	(291,077)
Temporarily restricted:		
Insurance	206	110
Debt service	<u>73,053</u>	<u>63,689</u>
TOTAL NET ASSETS	<u>(246,113)</u>	<u>(227,278)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 828,539</u>	<u>\$ 851,768</u>

PARK PLACE OF DEQUINCY, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
UNRESTRICTED NET ASSETS		
Public Support, Revenues, and Reclassifications		
Rental income	\$ 37,836	\$ 36,047
Federal subsidy - rental income	49,557	50,693
Federal subsidy - interest income	71,072	71,141
Other	304	561
Interest	1,290	961
Transfer from reserve account	<u>-</u>	<u>5,728</u>
Total Unrestricted Public Support, Revenues, and Reclassifications	<u>160,059</u>	<u>165,131</u>
Expenses		
Administrative expenses	180,275	189,371
Transfer to restricted accounts	<u>9,876</u>	<u>9,881</u>
Total Expenses	<u>190,151</u>	<u>199,252</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(30,092)</u>	<u>(34,121)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Insurance	97	(34)
Debt service	<u>11,160</u>	<u>5,070</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>11,257</u>	<u>5,036</u>
DECREASE IN NET ASSETS	(18,835)	(29,085)
NET ASSETS AS OF BEGINNING OF YEAR	<u>(227,278)</u>	<u>(198,193)</u>
NET ASSETS AS OF END OF YEAR	<u>\$ (246,113)</u>	<u>\$ (227,278)</u>

See accompanying notes.

PARK PLACE OF DEQUINCY, INC.
 STATEMENTS OF ACTIVITIES
 BUDGET (BUDGETARY BASIS) AND ACTUAL
 Years Ended December 31, 1998 and 1997

	1998		Variance Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
UNRESTRICTED NET ASSETS				
Public Support, Revenues, And Reclassifications				
Rental income.....	\$ 37,822	\$ 37,836	\$ 14	\$ 36,047
Federal subsidy - rental income.....	49,538	49,557	19	50,693
Federal subsidy - interest income.....	-	71,072	71,072	71,141
Other.....	7,636	304	(7,332)	561
Interest.....	1,100	1,290	190	961
Transfer from reserve account.....	-	-	-	5,728
Total Unrestricted Public Support, Revenues, and Reclassifications	<u>96,096</u>	<u>160,059</u>	<u>63,963</u>	<u>165,131</u>
Expenses				
Administrative expenses.....	50,549	180,275	(129,726)	189,371
Transfer to restricted accounts.....	<u>11,900</u>	<u>9,876</u>	<u>2,024</u>	<u>9,881</u>
Total Expenses	<u>62,449</u>	<u>190,151</u>	<u>(127,702)</u>	<u>199,252</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>33,647</u>	<u>(30,092)</u>	<u>(63,739)</u>	<u>(34,121)</u>
TEMPORARILY RESTRICTED NET ASSETS				
Insurance.....	-	97	97	(34)
Debt service.....	-	<u>11,160</u>	<u>11,160</u>	<u>5,070</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>11,257</u>	<u>11,257</u>	<u>5,036</u>
INCREASE (DECREASE) IN NET ASSETS	33,647	(18,835)	(52,482)	(29,085)
NET ASSETS AS OF BEGINNING OF YEAR	<u>(227,278)</u>	<u>(227,278)</u>	<u>-</u>	<u>(198,193)</u>
NET ASSETS AS OF END OF YEAR	<u>\$ (193,631)</u>	<u>\$ (246,113)</u>	<u>\$ (52,482)</u>	<u>\$ (227,278)</u>

See accompanying notes.

PARK PLACE OF DEQUINCY, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (18,835)	\$ (29,085)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	31,816	31,785
Amortization	1,350	1,350
(Increase) decrease in operating assets		
(Increase) in rental receivable	148	(126)
Decrease in prepaid expenses	41	78
Increase (decrease) in operating liabilities		
Increase in accounts payable	(1,538)	3,171
Increase in payroll taxes payable	(84)	130
Increase in other payables	<u>(19)</u>	<u>82</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,879	7,385
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,427)</u>	<u>(703)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,427)</u>	<u>(703)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(2,753)</u>	<u>(2,352)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(2,753)</u>	<u>(2,352)</u>
 NET INCREASE (DECREASE) IN CASH	8,699	4,330
 CASH AT BEGINNING OF YEAR	<u>67,991</u>	<u>63,661</u>
 CASH AT END OF YEAR	<u>\$ 76,690</u>	<u>\$ 67,991</u>

See accompanying notes.

PARK PLACE OF DEQUINCY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 1998 and 1997

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Park Place of DeQuincy, Inc. was formed in 1987 to provide low income housing to the elderly, handicapped, and low-income individuals. The apartment complex was built with a Department of Agriculture Rural Rental Housing Loan. Rental assistance is provided by the Farmers Home Administration based on tenants' ability to pay. In addition, the Farmers Home Administration provides an interest subsidy which aids in the loan payments. The more significant accounting policies applied in the preparation of the accompanying statements follows.

Basis of Accounting

The financial statements of Park Place of DeQuincy, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under (SFAS) No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

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

Income Taxes

Park Place of DeQuincy, Inc. is a not-for-profit organization exempt from income tax under Section 501(C) (3) of the U.S. Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statement of cash flow, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

PARK PLACE OF DEQUINCY, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998 and 1997

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

At December 31, 1998, the carrying amount of Park Place of DeQuincy, Inc.'s deposits was \$76,690 and the bank balance was \$76,714. The deposits were fully covered by FDIC insurance.

Restricted Assets

As required in the loan agreement, Park Place of DeQuincy, Inc. contributes \$10,767 annually into a reserve account until \$107,670 is attained. With prior written consent, funds in the reserve account may be used as follows: (1) loan payments if amounts for debt service are not sufficient; (2) costs of repairs or replacements caused by catastrophe or long-range depreciation; (3) improvements to housing project without creating new living units; (4) for other purposes which in the judgement of the Government will promote the loan purpose; and (5) to pay a return on investment at the end of the operating year, provided that after such disbursement the amount in the reserve will not be less than the required amount. The balance in the reserve account at December 31, 1998 and 1997 was \$73,053 and \$63,689, respectively.

An insurance escrow account is maintained with monthly deposits equal to one-twelfth of the total anticipated insurance payments for the year. The balance in the insurance escrow account at December 31, 1998 and 1997 was \$206 and \$110, respectively.

A rental deposit account is maintained at a level equal to total security deposits on hand. The balance at December 31, 1998 and 1997 was \$2,700 and \$2,700, respectively.

Reconciliation of reserve account:

	<u>1998</u>	<u>1997</u>
Beginning balance at January 1	\$ 63,689	\$ 58,619
Additions.....	9,364	10,798
Paid out.....	<u>-</u>	<u>(5,728)</u>
Ending balance at December 31	73,053	63,689
Add:		
Insurance Escrow..	206	110
Security Deposits.	<u>2,700</u>	<u>2,700</u>
Total Restricted Cash	<u>\$ 75,959</u>	<u>\$ 66,498</u>

PARK PLACE OF DEQUINCY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 1998 and 1997

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Acquisitions of property and equipment in excess of \$50 are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Apartments	31.5
Furniture and fixtures	5
Machinery and equipment	5

Amortization

Costs associated with the FHA loan are being amortized over the life of the loan, fifty years, using the straight-line method. Amortization for each year was \$140. Accumulated amortization totaled \$1,402 and \$1,262 for 1998 and 1997, respectively.

Interest expense incurred during the construction period is being amortized over the life of the property, thirty-one and a half years, using the straight-line method. Amortization for each year was \$1,210. Accumulated amortization totaled \$12,100 and \$10,890 for 1998 and 1997, respectively.

Basis of Revenue Recognition

Revenue is recognized monthly for the applicable monthly rental income.

PARK PLACE OF DEQUINCY, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998 and 1997

NOTE 2 - LONG-TERM DEBT

Long-term debt at December 31, 1998 and 1997 consisted of the following:

	<u>1998</u>	<u>1997</u>
Note payable to FHA in monthly installments of \$7,966 including interest at 9.0%, maturity March 1, 2039	\$ 1,032,951	\$ 1,035,45
Note payable to FHA in monthly installments of \$269 including interest at 9.5%, maturity March 1, 2039	\$ 33,190	\$ 33,259
	1,066,141	1,068,714
Less: current portion.....	<u>2,813</u>	<u>2,573</u>
	<u>\$ 1,063,328</u>	<u>\$ 1,066,141</u>

Maturities of long-term debt, including interest, are as follows:

1999	98,819
2000	98,819
2001	98,819
2002	98,819
2003	98,819

NOTE 3 - NET ASSET DEFICIT

At December 31, 1998 and 1997, Park Place of DeQuincy, Inc. reports an unrestricted net asset fund deficit in the amounts of \$319,372 and \$291,077, respectively.

The deficit is a result of depreciation expense which is an unfunded expenditure under Farmers Home Administration's Rental Assistance Guidelines. Park Place of DeQuincy, Inc. intends to increase rental fees over future years to minimize annual operating deficits.

NOTE 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of bank accounts restricted for insurance coverage, repayment of debt, and repairs and maintenance of the Organization's facilities.

PARK PLACE OF DEQUINCY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 1998 and 1997

NOTE 5 - NONCASH FINANCING ACTIVITIES

Interest expense of \$96,067 on FHA loans was paid by the U.S. Department of Agriculture for the year ended December 31, 1998.

SUPPLEMENTAL INFORMATION

PARK PLACE OF DEQUINCY, INC.
 SCHEDULES OF FUNCTIONAL EXPENSES
 Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Advertisements.....	\$ -	\$ -
Amortization.....	1,350	1,350
Auto expense.....	274	321
Bank charges.....	220	142
Depreciation.....	31,816	31,785
Insurance.....	5,818	6,344
Interest.....	96,067	96,358
Office supplies.....	591	883
Pest control.....	1,545	1,459
Professional fees.....	2,600	2,215
Refunds	94	-
Repairs and maintenance.....	17,199	23,496
Salaries.....	15,300	14,400
Supplies.....	-	2,742
Taxes - payroll.....	983	1,565
Telephone.....	1,697	1,524
Utilities.....	<u>4,721</u>	<u>4,787</u>
	<u>\$ 180,275</u>	<u>\$ 189,371</u>

PARK PLACE OF DEQUINCY, INC.
 SCHEDULES OF FUNCTIONAL EXPENSES
 BUDGET (BUDGETARY BASIS) & ACTUAL
 Years Ended December 31, 1998 and 1997

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
Advertisements.....	\$ 200	\$ -	\$ 200	\$ -
Amortization.....	-	1,350	(1,350)	1,350
Auto expense.....	200	274	(74)	321
Bank charges.....	200	220	(20)	142
Depreciation.....	-	31,816	(31,816)	31,785
Insurance.....	6,860	5,818	1,042	6,344
Interest.....	-	96,067	(96,067)	96,358
Office supplies.....	700	591	109	883
Pest control.....	-	1,545	(1,545)	1,459
Professional fees.....	2,650	2,600	50	2,215
Refunds.....	-	94	(94)	-
Repairs and maintenance.....	18,207	17,199	1,008	23,496
Salaries.....	14,400	15,300	(900)	14,400
Supplies.....	800	-	800	2,742
Taxes - payroll.....	1,102	983	119	1,565
Telephone.....	1,000	1,697	(697)	1,524
Utilities.....	4,230	4,721	(491)	4,787
	<u>\$ 50,549</u>	<u>\$ 180,275</u>	<u>\$ (129,726)</u>	<u>\$ 189,371</u>

<u>Property Covered</u>	<u>Amount of Insurance</u>	<u>Expiration Date</u>
Property Manager Resident Manager Board President	50,000	3/1/99
Building and contents	3,287,280	3/1/99
N/A	N/A	N/A

1998

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 3,437
Payroll taxes payable	300
Interest payable	2,074
Current portion of long-term debt	<u>2,813</u>
	<u>8,624</u>

Deposits and Prepayment Liabilities

Security deposits payable	<u>2,700</u>
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Long-Term Liabilities

Long-term debt, net of current portion	<u>1,063,328</u>
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Equity

Restricted - insurance	206
Restricted - debt service	73,053
Unrestricted - undesignated	<u>(319,372)</u>
	<u>(246,113)</u>

Total Liabilities and Equity \$ 828,539

PARK PLACE OF DEQUINCY, INC.
 SUPPLEMENTAL SCHEDULE
 STATEMENT OF OPERATIONS - SECTION 515 RURAL
 RENTAL HOUSING PROJECTS FORMAT

	<u>1998</u>
Revenues	
Tenant rents	\$ 37,836
Rental assistance	49,557
Late fees, miscellaneous, etc.	1,136
Interest reduction subsidy	<u>71,072</u>
Total Revenues	<u>159,601</u>
 Expenses	
Administrative	22,568
Operating and maintenance	18,546
Utilities	4,721
Taxes and insurance	5,109
Interest	96,067
Depreciation	<u>33,166</u>
Total Expenses	<u>180,177</u>
Income (Loss) From Rental Operations	<u>(20,576)</u>
 Other Income and Expenses	
Interest income	1,741
Entity expense	-
Tenants utility allowance expenses	<u>-</u>
	<u>1,741</u>
Net Income (Loss)	<u>\$ (18,835)</u>

PARK PLACE OF DEQUINCY, INC.
 SUPPLEMENTAL SCHEDULE
 DETAIL OF EXPENSES - SECTION 515 RURAL RENTAL HOUSING PROJECTS FORMAT

	<u>1998</u>
Maintenance and Operating	
Maintenance and repairs - payroll	\$ -
Maintenance and repairs - supply	-
Maintenance and repairs - contract	16,050
Painting and decorating	-
Grounds	-
Services	1,545
Furniture and furnishing replacement	951
Other operating expenses	<u>-</u>
	<u>18,546</u>
Utilities	
Electricity	3,938
Water, sewer, trash removal	<u>783</u>
	<u>4,721</u>
Administrative	
Site management payroll	15,300
Project auditing expense	2,600
Legal expenses	-
Advertising	-
Telephone and answering service	1,697
Office supplies	591
Office furniture and equipment	-
Payroll taxes	983
Workman's compensation	709
Other administrative expenses	<u>688</u>
	<u>\$ 22,568</u>

PARK PLACE OF DEQUINCY, INC.
 SUPPLEMENTAL SCHEDULE
 SCHEDULE OF ACCOUNTS PAYABLE - AMOUNTS AND AGING

<u>Expense Category</u>	<u>1-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>
Maintenance and repairs supply	\$ 124	\$ -	\$ 2,680
Electricity	229	-	-
Water and sewer	34	-	-
Telephone	240	-	-
Pest control	130	-	-
	<u>\$ 757</u>	<u>\$ -</u>	<u>\$ 2,680</u>

PARK PLACE OF DEQUINCY, INC.
 SUPPLEMENTAL SCHEDULE
 SCHEDULE OF RENTAL INFORMATION

<u>Size of Unit</u>	<u>Basic Note Rental Rate</u>	<u>Market Note Rate</u>	<u>Number of Units</u>	<u>Number Occupied at Year-End</u>
One Bedroom	220	397	20	20
Two Bedroom	240	441	12	12

Occupancy rate for year 99%
 Occupancy rate at year-end 100%

PARK PLACE OF DEQUINCY, INC.
SUPPLEMENTAL SCHEDULE
COMPENSATION OF DIRECTORS
Year Ended Decembr 31, 1998

During the period covered by our audit, there were no payments made to or on behalf of directors.

PARK PLACE OF DEQUINCY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 1998

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Rental Income Subsidy.....	10.415	\$ 49,557
Interest Subsidy.....	10.415	71,072
Rural Rental Housing		
Loans (Note B).....	10.415	<u>1,066,141</u>
Total Expenditures of Federal Awards		<u>\$1,186,770</u>

NOTE A: The accompanying schedule of expenditures of federal awards is a summary of the activity of Park Place of DeQuincy, Inc.'s federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B: Outstanding loan balances at December 31, 1998.

PARK PLACE OF DEQUINCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 1998

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? X Yes No
- * Reportable condition(s) identified
that are not considered to be
material weaknesses(es)? Yes X None reported

Noncompliance material to financial
statements noted? X Yes No

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified X Yes No
- * Reportable condition(s) identified
that are not considered to be
material weakness(es)? Yes X No

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that
are required to be reported in
accordance with section 510(a)
of Circular A-133? X Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.415	Department of Agriculture Rural Rental Housing Loans

Dollar threshold used to distinguish
between type A and B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

PARK PLACE OF DEQUINCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 1998

Section II - Financial Statement Findings

98-1 I/C - (Material weakness)

Segregation of duties: Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. We do note that this situation is inherent to most agencies of this type and is difficult to solve due to the funding limitations of Park Place of DeQuincy, Inc. We recommend that the President and other directors take an active interest in the review of all of the financial information. This was also a prior year finding.

98-2 I/C - (Material weakness)

Theft of funds:

Condition: During the year ended December 31, 1998, funds totaling \$1,950 were embezzled by the manager of Park Place of DeQuincy, Inc. This theft was accomplished by the manager presenting invoices in the name of individuals for repairs and maintenance to the buildings and grounds. The manager then either forged the payee's signature or had them endorse the checks and return the checks to her. The manager then endorsed the checks also and presented them to the bank and cashed them. These thefts occurred on seven different occasions during the year.

Criteria: All disbursements should be supported by a valid invoice and these invoices should be signed by the vendor. The individuals authorizing payment should carefully study these invoices and question the validity of these type of invoices.

Effect: Theft of funds occurred.

Cause: While we acknowledge that fraud cannot be completely prevented, the board of directors must take an active interest in the financial transactions of an entity when there is a lack of segregation of duties.

Recommendations: We note that the manager who embezzled the funds was terminated. We recommend the following to decrease the possibility of this problem occurring again:

- 1) The President and Treasurer, who are authorized to sign checks should only pay invoices that are signed by both the payee and the manager of the complex.
- 2) All repair work should be documented in such a manner that the work can be inspected before payment.

PARK PLACE OF DEQUINC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 1998

- 3) Periodically, the President or Treasurer should inspect repair work being presented for payment.

98-3 I/C - (Material weakness)

Authorized signatures on checks:

Condition: While reviewing checks for authorized signatures, we noted what appeared to be a forgery of the President's signature. Upon inquiry into this matter, it was discovered that the President's spouse was allowed to sign the President's name on checks in his absence. The spouse was not authorized to sign checks on the entity's behalf or even a director of Park Place of DeQuincy, Inc.

Criteria: Only authorized persons can sign checks drawn on the accounts of Park Place of DeQuincy, Inc.

Effect: Our inspection of this transaction disclosed that this was oversight by the President and the transaction was legitimate.

Cause: Administrative oversight.

Recommendation: We note that this practice had already been discontinued by the time we performed our audit.

98-1 C

Reserve Transfers: FMHA loan resolution requires that an annual transfer to the Reserve Account of not less than \$10,767 be made until the amount in the Reserve Account reaches the sum of \$107,670.
See Section III, 98-1 C for details.

98-2 C

Issuance of IRS Form 1099-MISC:

Condition: IRS Form 1099-MISC were not issued to individuals classified as contract labor.

Criteria: Individuals paid over \$600 must be issued a 1099-MISC for each calendar year.

Effect: Park Place of DeQuincy, Inc. was not in compliance with IRS regulations and could face penalties.

Cause: Administrative oversight.

PARK PLACE OF DEQUINCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 1999

Recommendation: Expenditures should be reviewed at each calendar year end and all necessary 1099-MISC should be prepared.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

98-4 I/C (Material weakness)

98-1 C

Department of Agriculture Rural Rental Housing Loan (10.415)

Specific Requirement:

Borrowers must comply with terms of loan agreements/resolutions and FMHA regulations.

1. FMHA loan resolution requires that an annual transfer to the Reserve Account of not less than \$10,767 be made until the amount in the Reserve Account reaches the sum of \$107,670.

Condition: For the year ended December 31, 1998, \$9,876 was transferred to the Reserve Account, \$891 less than was required. The Reserve Account did not have a balance of \$107,670 at any time during the year. (First reported at 12/31/97).

Effect: Park Place of DeQuincy, Inc. was not in compliance with its loan agreement and therefore not in compliance with its grant requirement for the year ended December 31, 1998.

Cause: Administrative oversight.

Recommendation: Park Place of DeQuincy, Inc. must make the required transfers to the Reserve Account for each year.

PARK PLACE OF DEQUINCY, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN (Unaudited)
For the Year Ended December 31, 1998

98-1 I/C - Segregation of Duties:

Contact Person - Keith Browning, President

Corrective action - The President of the board of directors will continue to take an active role in the day to day operations of Park Place of DeQuincy, Inc. This corrective action plan is in effect as of May 4, 1999.

98-2 I/C - Theft of Funds:

Contact person - Keith Browning, President

Corrective action - The manager has been terminated and the matter has been turned over to the attention of the Calcasieu Parish District Attorney, the Legislative Auditor for the state of Louisiana, and the United States Department of Agriculture. In the future, only invoices signed by the person performing the service will be paid and only after a close inspection of the invoice and if needed, the actual work performed. This corrective action plan is in effect as of May 4, 1999.

98-3 I/C - Authorized Signatures on Checks:

Contact person - Keith Browning, President

Corrective action - This practice has ceased as of May 4, 1999.

98-4 I/C - Transfer of Funds to Reserve Account:

98-1C

Contact person - Keith Browning, President

Corrective action - Additional transfers were made and transfers are now being done on a monthly basis. This corrective action plan is in effect as of May 4, 1999.

98-2 C - Issuance of IRS Form 1099-MISC.:

Contact person - Keith Browning, President

Corrective action - Expenditures will be reviewed at year end to comply with IRS regulations. Information is now being required from individuals that are paid as contract labor to facilitate this procedure. This corrective action plan is in effect as of May 4, 1999.

PARK PLACE OF DEQUINCY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 1998

97-1 I/C - (Ongoing finding) Segregation of duties:

Corrective action taken - Due to lack of sufficient financial resources, this finding cannot be resolved. See 98-1 I/C.

97-2 I/C (12/31/97) Noncompliance with loan agreement:

97-1 C

Corrective action taken - No.

Planned corrective action - Additional deposits made and monthly deposits to Reserve Account will be done in a timely manner. See 98-4 I/C.

SINGLE AUDIT REQUIRED REPORTS



Mires & Company
A Professional Corporation

Certified Public Accountants

Members:
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Society of Louisiana Certified Public Accountants
Private Company Practice Section AICPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Park Place of DeQuincy, Inc.
DeQuincy, Louisiana

We have audited the financial statements of Park Place of DeQuincy, Inc., (a nonprofit organization), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 21, 1999. We conducted our audits 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 Park Place of DeQuincy, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing 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* and which are described in the accompanying schedule of findings and questioned costs as items 98-1 C, and 98-2 C.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Park Place of DeQuincy, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 judgement, could adversely affect Park Place of DeQuincy, Inc.'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 items 98-1 I/C, 98-2 I/C and 98-3 I/C.

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

Board of Directors
Park Place of DeQuincy, Inc.
Page 2

disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 98-1 I/C, 98-2 I/C and 98-3 I/C to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Mires & Company, CPAs

Mires & Company, CPAs, APC
April 21, 1999



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Society of Louisiana Certified Public Accountants
Private Company Practice Section AICPA

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of Directors
Park Place of DeQuincy, Inc.
DeQuincy, Louisiana

Compliance

We have audited the compliance of Park Place of DeQuincy, Inc., (a nonprofit organization), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 1998. Park Place of DeQuincy, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Park Place of DeQuincy, Inc.'s management. Our responsibility is to express an opinion on Park Place of DeQuincy, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Park Place of DeQuincy, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Park Place of DeQuincy, Inc.'s compliance with those requirements.

As described in item 98-1C in the accompanying schedule of findings and questioned costs, Park Place of DeQuincy, Inc. did not comply with requirements regarding special reporting that are applicable to its Department of Agriculture Rural Rental Housing Loan. Compliance with such requirements is necessary, in our opinion, for Park Place of DeQuincy, Inc. to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Park Place of DeQuincy, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

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

Board of Directors
Park Place of DeQuincy, Inc.
Page 2

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Park Place of DeQuincy, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-4 I/C.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 98-4 I/C to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Mires & Company, CPAs

Mires & Company, CPAs, APC
April 21, 1999

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