

HOUSING AUTHORITY OF PINEVILLE

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 6.9.04

Mike Estes, P.C.
A Professional Accounting Corporation

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MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY - SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
FAX (817) 831-3560
e-mail: mestespc@swbell.net

MEMBER
AMERICAN BOARD CERTIFIED
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Housing Authority of Pineville
Pineville, Louisiana

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

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Pineville, Louisiana at and for the year ended December 31, 2003, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Pineville, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Pineville, Louisiana as of December 31, 2003, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2004 on our consideration of Housing Authority of Pineville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Pineville, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and other supplementary information 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 accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mike Estes, P.C.
Fort Worth, Texas
May 21, 2004

HOUSING AUTHORITY OF THE CITY OF PINEVILLE

COMBINED BALANCE SHEET - ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2003ASSETS

Current assets

Cash and cash equivalents	\$ 445,356
Investments	179,792
Accounts receivable (net of allowance for doubtful accounts of zero)	50,093
Interest receivable	842
Interfund receivable	236,916
Prepaid items and other assets	11,369
Inventory	8,876

Total Current Assets	933,244
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Restricted Assets

Tenant deposits	6,445
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Fixed Assets

Land, buildings, and equipment (net)	1,709,262
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TOTAL ASSETS	2,648,951
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LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts payable	2,332
Deferred revenue	103
Compensated absences payable	4,848
Interfund payable	236,916
Accrued PILOT	18,367

Total Current Liabilities	262,566
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Current Liabilities Payable from Current Restricted Assets

Deposits due others	6,445
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Noncurrent Liabilities

Compensated absences payable	1,403
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Total Liabilities	270,414
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Fund Equity

Contributed capital	1,259,366
Retained earnings:	
Unreserved	1,119,171

Total Fund Equity	2,378,537
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TOTAL LIABILITIES AND FUND EQUITY	\$ 2,648,951
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The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2003

OPERATING REVENUES	
Dwelling rental	\$ 226,379
Other	1,125
	<hr/>
Total revenues	227,504
	<hr/>
OPERATING EXPENSES	
Administration	210,596
Tenant services	1,424
Utilities	42,324
Ordinary maintenance & operations	178,943
Protective services	23,740
General expenses	50,428
Nonroutine maintenance	12,224
Depreciation	152,164
Housing assistance payments	549,058
	<hr/>
Total operating expenses	1,220,901
	<hr/>
Loss from Operations	(993,397)
	<hr/>
Non operating revenues	
Interest earnings	13,949
Federal grants	1,093,044
	<hr/>
Total Non-operating revenues	1,106,993
	<hr/>
NET INCOME	113,596
	<hr/>
Depreciation on fixed assets acquired by contribution	121,209
	<hr/>
Increase in retained earnings	234,805
	<hr/>

(CONTINUED)

EXHIBIT B

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2003

RETAINED EARNINGS AT BEGINNING OF YEAR	<u>884,366</u>
RETAINED EARNINGS AT END OF YEAR	<u>1,119,171</u>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	1,380,575
Depreciation transferred from retained earnings	<u>(121,209)</u>
CONTRIBUTED CAPITAL AT END OF YEAR	<u>1,259,366</u>
FUND EQUITY, END OF YEAR	<u>\$ 0</u>

(CONCLUDED)

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

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (993,397)
Adjustments to reconcile net income to	
Net cash provided by operating activities	
Depreciation	152,164
Changes in operating current assets and liabilities:	
Increase in accounts receivables	(3,959)
Decrease in interest receivable	687
Increase in interfund receivables	(85,521)
Increase in prepaid items and other assets	(753)
Increase in inventory	(4,672)
Increase in accounts payables	1,745
Decrease in deposits due others	(60)
Decrease in deferred revenue	(345)
Decrease in accrued PILOT	(135)
Increase in interfund payable	85,521
Decrease in liability for compensated absences	(1,799)
	<u>(850,524)</u>
NET CASH USED BY OPERATING ACTIVITIES	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	800,906
Increase in long-term portion of compensated absences	1,403
	<u>802,309</u>
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal grants	292,138
Construction costs and purchase of equipment	(294,908)
Proceeds of sale of equipment	0
	<u>(2,770)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	

CONTINUED

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
 COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(3,624)
Decrease in restricted assets	60
Interest earnings	13,949
	10,385
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,385
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,600)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	485,956
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 445,356
	CONCLUDED

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

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying general-purpose financial statements of the Housing Authority of the City of Pineville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. BASIS OF PRESENTATION Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:391) of the state of state for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Honorable Mayor of the City of Pineville, serve staggered multi-year terms.

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-rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the Housing Authority for the purpose of assisting the Housing Authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the Housing Authority for the purpose of maintaining this low-rent character.

The Housing Authority had 121 units in Low Rent management in three projects. It also administers 165 units of Section 8 Vouchers.

Program	Contract Number	Number Of Units
PHA owned housing	FW - 1309	121
Section 8 Housing Choice Voucher	LA – 057VO	165

B. REPORTING ENTITY GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The Housing Authority is a related organization of the City of Pineville since the City of Pineville appoints a voting majority of the Housing Authority’s governing board. The City of Pineville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Pineville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Pineville.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Housing Authority to impose its will on that organization's body, and:
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

C. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus for all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

D. BUDGETS

General Budget Policies The following summarizes the budget activities of the Housing Authority during the year ended December 31, 2003:

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

E. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under state law and national banks having their principal offices in state.

Under state law, the Housing Authority may invest in United States bonds, treasure notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are state at the lower of market or cost.

F. INVESTMENTS Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. INVENTORY AND PREPAID ITEMS Inventories consist of expendable supplies held for consumption stated on a lower of cost or market on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

I. FIXED ASSETS Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. *Interest costs during construction have not been capitalized.* Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

J. COMPENSATED ABSENCES The Housing Authority follows state Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

K. DEFERRED REVENUES The Housing Authority reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

L. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2003

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

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 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

At December 31, 2003 the Housing Authority has Cash equivalents, and investments totaling \$631,593 as follows:

Cash on hand	\$	75
Interest-bearing demand deposits		451,726
Time deposits		179,792
Total	\$	631,593
Cash and cash equivalents	\$	445,356
Cash and cash equivalents – restricted		6,445
Investments		179,792
Total	\$	631,593

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the Housing Authority's carrying amount of deposits was \$631,518 and the bank balance was \$655,136. Of the bank balance, \$200,000 was covered by federal depository insurance (GASB Category 1). The remaining \$455,136 was collateralized with securities held by the pledging financial institution's trust department or agent but in the Housing Authority's name (GASB Category 2).

Investments during the year were solely in time deposits at banks.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

NOTE 3 – RECEIVABLES the receivables of \$50,093 at December 31, 2003, are as follows:

<u>Class of Receivables</u>			
Local sources			
Other		\$	420
Federal sources:			
Grants			49,673
Total		\$	<u>50,093</u>

NOTE 4 – FIXED ASSETS The changes in general fixed assets are as follows:

	<u>Balance</u> 12/31/02	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/03
Land and buildings	\$ 3,584,530	293,550	0	3,878,080
		\$	\$	\$
Furniture and equipment	240,134	3,215	1,272	242,077
Construction in progress	131,971	0	1,858	130,113
Total	<u>3,956,635</u>	<u>296,765</u>	<u>3,130</u>	<u>4,250,270</u>
Less: accumulated depreciation				
Buildings	2,210,668	131,469	0	2,342,137
Furniture and equipment	179,448	20,695	1,272	198,871
Total	<u>2,390,116</u>	<u>152,164</u>	<u>1,272</u>	<u>2,541,008</u>
Fixed assets, net	\$ 1,566,519	144,601	1,858	1,709,262
		\$	\$	\$

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates in the Housing Renewal and Local Agency Retirement Plan which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan from the first anniversary date of the employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make a monthly contribution equal to 6 percent of his effective compensation. The employer is required to make monthly contributions equal to 8.5 percent of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's

contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

The Housing Authority's contributions were calculated using the base salary amount of \$184,493. The Housing Authority made the required contributions of \$25,780 for the year ended December 31, 2003, of which \$15,104 was paid by the Housing Authority and \$10,676 was paid by employees. No payments were made out of the forfeiture account.

NOTE 6 – ACCOUNTS PAYABLE The payables of \$2,332 at December 31, 2003, are as follows:

Trade payables	\$	740
Payroll withholdings		1,592
		2,332
	\$	2,332

NOTE 7 – COMPENSATED ABSENCES At December 31, 2003, employees of the Housing Authority have accumulated and vested \$6,251 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. These amounts are recorded as liabilities in the funds from which payment will be made.

NOTE 8 – GENERAL LONG-TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended December 31, 2003.

		Compensated Absences
Balance, 12/31/02	\$	0
Additions		1,403
Deductions		0
Balance, 12/31/03	\$	1,403

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

Construction Projects There are certain renovation or construction projects in progress at December 31, 2003. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Grant Disallowances The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996 and OMB circular No. A-133 through December 31, 2003, these programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES At December 31, 2003, the Section 8 program owes \$236,916 to the Low Rent program.

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF PINEVILLE
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT**

YEAR ENDED DECEMBER 31, 2003

1. The Actual Modernization Costs are as follows:

	<u>2000 Capital Funding</u>	<u>2001 Capital Funding</u>
Funds approved	\$ 189,072	\$ 192,877
Funds expended	<u>189,072</u>	<u>192,877</u>
Excess of funds approved	<u>\$ 0</u>	<u>\$ 0</u>
Funds advanced	\$ 189,072	\$ 192,877
Funds expended	<u>189,072</u>	<u>192,877</u>
Excess of funds advanced	<u>\$ 0</u>	<u>\$ 0</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated July 2, 2003 and November 5, 2003 accompanying the Actual Modernization Cost Certificates submitted to HUD for approval, are in agreement with the PHA's records for the 2000 and 2001 CFP's.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**HOUSING AUTHORITY OF THE CITY OF PINEVILLE
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED**

YEAR ENDED DECEMBER 31, 2003

CASH BASIS

		<u>2002 Capital Funding</u>
Funds approved	\$	183,582
Funds expended		<u>130,113</u>
Excess of funds approved	\$	<u><u>53,469</u></u>
Funds advanced	\$	130,113
Funds expended		<u>130,113</u>
Excess of funds advanced	\$	<u><u>0</u></u>

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY – SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
FAX (817) 831-3560
e-mail: mestespc@swbell.net
PUBLIC ACCOUNTANTS

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

Housing Authority of Pineville
Pineville, Louisiana

We have audited the compliance of the Housing Authority of Pineville, Louisiana 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, 2003. The Housing Authority of Pineville, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Pineville, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Pineville, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and 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 the Housing Authority of Pineville, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Pineville, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Pineville, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. We noted one immaterial instance of noncompliance. It is the one audit finding.

Internal Control Over Compliance

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

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

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under state Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P.C.
Fort Worth, Texas
May 21, 2004

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY – SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
FAX (817) 831-3560
e-mail: mestespc@swbell.net

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

Housing Authority of Pineville
Pineville, Louisiana

We have audited the financial statements of the Housing Authority of Pineville, Louisiana as of and for the year ended December 31, 2003, and have issued our report thereon dated May 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Housing Authority of Pineville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted one immaterial instance of noncompliance. It is the one audit finding.

Internal Control Over Financial Reporting

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

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under state Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

**Mike Estes, P. C.
Fort Worth, Texas
May 21, 2004**

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>152,734</u>
Housing Choice Voucher	14.871	<u>634,741</u>
Public Housing Capital Fund	14.872	<u>305,569</u>
Total United States Department of Housing and Urban Development		\$ <u>1,093,044</u>
Total Expenditures of Federal Awards		\$ <u>1,093,044</u>

Total Expenditures of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF PINEVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED DECEMBER 31, 2003

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the City of Pineville, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority’s general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

		Federal Sources
Enterprise funds:		
Public Housing	\$	152,734
Section 8 Vouchers		634,741
Capital Fund		305,569
Total	\$	1,093,044

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2003

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards* to the financial statements.

Audit of Federal Awards

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a). One immaterial finding is disclosed.
- vii. The major federal programs are:

CFDA# 14.871 Section 8 Housing Choice Voucher
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2003

Prior Audit Findings and Questioned Costs

The prior audit report contained one audit finding. The Section 8 program, for the 2002 year, did not meet the income targeting requirements, as required by the Quality Housing Work Responsibility Act of 1998 (QHWRA). The Section 8 program met the targeting requirements in 2003. This finding is cleared.

Current Audit Findings

Entity-wide or program/department specific

Low Rent Program and Section 8

03-01 – Income Not Verified Directly With Third Party

Statement of Condition

Personnel that perform the related function of determining eligibility, verifying tenant incomes, and calculating rental incomes are well trained and do a good job.

We reviewed eight Section 8 tenant files and six Low Rent tenant files. In five instances for Section 8 and five instances for Low Rent, income was verified by either social security award letters or paycheck stubs issued by employers.

Criteria

The above document reviews should only be used when other preferable verification methods have been attempted, and the attempt documented.

Effect and Questioned Costs

It appears that the income figures used were correct, and that earned income was calculated correctly.

Cause

PHA personnel believed their methods were acceptable.

Recommendation

The PHA should become familiar with Notice PIH 2004 – 1, issued March 9, 2004, regarding HUD-established verification policies, and the HUD-preferred hierarchy of verification. Then the Admin Plan and the ACOP should be revised, with special attention given to pages four and nine of the Notice.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2003

Corrective Action Plan-Response 03-01

I am Michele Waldrop, Executive Director and Designated Person to answer this finding. At the time of the completion of this audit, we were already in the process of revising our ACOP and Admin Plan. We have been using the HUD-preferred hierarchy of verification for some time, since the end of the audit year.

HOUSING AUTHORITY OF THE CITY OF PINEVILLE
SCHEDULE OF AUDIT JOURNAL ENTRIES

YEAR ENDED DECEMBER 31, 2003

	ACCT. # FOR AUDIT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
1 <u>Low Rent</u>	<u>FDS is correct</u>			
Retained earnings		13,492.18		2802
Dwelling structures			13,492.18	1460
To adjust the general ledger. The FDS is correct.				
<u>Section 8</u>				
Prior year adjustments	1104	700.00		
Other operating	916		700.00	
To adjust for immaterial amount originally classified as prior period adjustment				
<u>Capital Fund</u>				
Prior year adjustments	1104	26.00		
Other operating	916		26.00	
To adjust for immaterial amount originally classified as prior period adjustment				