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**HOUSING AUTHORITY OF THE CITY OF HOMER, LOUISIANA**

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

**TWELVE MONTHS ENDED JUNE 30, 1999**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date \_\_\_\_\_

**MIKE ESTES, P.C.**  
A PROFESSIONAL ACCOUNTING CORPORATION

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HOUSING AUTHORITY OF THE CITY OF HOMER  
SUMMARY OF AUDITOR'S RESULTS AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- A. We issued an unqualified opinion on the Housing Authority of Homer, Louisiana for the audit of its financial statements for the year ended June 30, 1999.
- B. No reportable conditions in internal control were disclosed by our audit of the financial statements.
- C. The audit did not disclose any noncompliance which is material to the financial statements.
- D. No reportable conditions in internal control were disclosed by our audit over major programs.
- E. We issued an unqualified opinion on compliance for major programs.
- F. Our audit disclosed five audit findings that we are required to report under 510(a) of OMB Circular A-133. Our audit procedures also included those of HUD Notice PIH 96-53.
- G. Major programs are as follows, and see Schedule of Federal Expenditures for CFDA numbers and amounts:
  - 1. Low Income Housing
  - 2. CIAP
- H. The dollar threshold to distinguish Type A and Type B programs is \$ 300,000.
- I. The Housing Authority of Homer, Louisiana did not qualify for the year ended June 30, 1999 as a low-risk auditee.

Schedule of Findings and Questioned Costs

- J. *There are no findings in these financial statements that are required to be reported in accordance with GAGAS.*
- K. There are five audit findings or questioned costs for Federal awards which shall include audit findings as described in 510(a) of OMB Circular A-133. Our audit procedures also included those of HUD Notice PIH 96-53.

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

**(817) 831-3553**  
**METRO (817) 654-4063**  
**FAX (817) 831-3560**  
**e-mail: [estes3@flash.net](mailto:estes3@flash.net)**

**MIKE ESTES, CPA/PFS, CFP**

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

Independent Auditor's Report

Board of Commissioners  
Housing Authority of the  
City of Homer  
Homer, Louisiana

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

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the Housing Authority of the City of Homer, Louisiana at and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Housing Authority of the City of Homer, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements and the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Homer, Louisiana as of June 30, 1999 and the results of its operations and changes in its surplus 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 December 1, 1999 on our consideration of Housing Authority of the City of Homer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statement of the Housing Authority of the City of Homer, 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 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  
December 1, 1999

HOUSING AUTHORITY OF THE CITY OF HOMER

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	
<b>ASSETS</b>								
Investments	\$ 46,582.50	\$	\$	\$	\$ 6,010.00	\$	\$	\$ 52,592.50
Receivables, net of allowances:								
Rentals	6,097.00							6,097.00
Other	60.00							60.00
Due from:								
Other funds	7,746.80							7,746.80
Prepaid expenditures	24,759.93							24,759.93
Property, plant and equipment						3,168,701.13		3,168,701.13
<b>Total Assets</b>	<u>\$ 85,246.23</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 6,010.00</u>	<u>\$ 3,168,701.13</u>	<u>\$ 0.00</u>	<u>\$ 3,259,957.36</u>

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

HOUSING AUTHORITY OF THE CITY OF HOMER

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)  
JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	
<b>LIABILITIES AND FUND EQUITY</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 1,463.15	\$	\$	\$	\$	\$	\$	\$ 1,463.15
Accrued liabilities	13,988.22							13,988.22
Due to:								
Tenants				6,010.00				6,010.00
Other funds				7,746.80				7,746.80
Deferred revenue	39,384.59							39,384.59
<b>Total Liabilities</b>	<b>54,835.96</b>	<b>0.00</b>	<b>0.00</b>	<b>7,746.80</b>	<b>6,010.00</b>	<b>0.00</b>	<b>0.00</b>	<b>68,592.76</b>
<b>FUND EQUITY</b>								
Investment in general fixed assets						3,168,701.13		3,168,701.13
Fund balances:								
Reserved for capital projects				(7,746.80)				(7,746.80)
Unreserved:								
Undesignated	30,410.27							30,410.27
<b>Total Fund Equity</b>	<b>30,410.27</b>	<b>0.00</b>	<b>0.00</b>	<b>(7,746.80)</b>	<b>0.00</b>	<b>3,168,701.13</b>	<b>0.00</b>	<b>3,191,364.60</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 85,246.23</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 6,010.00</b>	<b>\$ 3,168,701.13</b>	<b>\$ 0.00</b>	<b>\$ 3,259,957.36</b>

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

HOUSING AUTHORITY OF THE CITY OF HOMER

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES</b>					
Rentals	\$ 87,955.06	\$	\$	\$	\$ 87,955.06
Intergovernmental	88,133.00			231,919.94	320,052.94
Interest	180.05				180.05
Other	4,183.87				4,183.87
<b>Total Revenues</b>	<b>180,451.98</b>	<b>0.00</b>	<b>0.00</b>	<b>231,919.94</b>	<b>412,371.92</b>
<b>EXPENDITURES</b>					
Administration	57,798.99				57,798.99
Utilities	35,103.80				35,103.80
Ordinary maintenance	52,260.84				52,260.84
General expenditures	63,787.59				63,787.59
Capital expenditures	2,921.72			237,265.02	240,186.74
Debt service:					
Principal retirement			49,875.00		49,875.00
Interest			28,802.82		28,802.82
<b>Total expenditures</b>	<b>211,872.94</b>	<b>0.00</b>	<b>78,677.82</b>	<b>237,265.02</b>	<b>527,815.78</b>
Excess (deficiency) of revenues over (under) expenditures	(31,420.96)	0.00	(78,677.82)	(5,345.08)	(115,443.86)
<b>OTHER FINANCING SOURCES(USES)</b>					
Operating transfers in					0.00
Operating transfers out					0.00
<b>Total other financing sources(uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>FUND BALANCE, beginning of year</b>	<b>61,831.23</b>		<b>78,677.82</b>	<b>(2,401.72)</b>	<b>138,107.33</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 30,410.27</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (7,746.80)</b>	<b>\$ 22,663.47</b>

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

HOUSING AUTHORITY OF THE CITY OF HOMER

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET (GAAP BASIS) AND ACTUAL  
 GENERAL FUND AND SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
<b>REVENUES</b>						
Rentals	\$ 99,820.00	\$ 87,955.06	\$ (11,864.94)	\$	\$	0.00
Intergovernmental	88,133.00	88,133.00	0.00			0.00
Interest	1,210.00	180.05	(1,029.95)			0.00
Other income	13,560.00	4,183.87	(9,376.13)			0.00
<b>Total Revenues</b>	<b>202,723.00</b>	<b>180,451.98</b>	<b>(22,271.02)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>EXPENDITURES</b>						
Administration	61,450.00	57,798.99	(3,651.01)			0.00
Utilities	42,550.00	35,103.80	(7,446.20)			0.00
Ordinary maintenance	59,910.00	52,260.84	(7,649.16)			0.00
Tenant services	100.00		(100.00)			0.00
General expenditures	67,430.00	63,787.59	(3,642.41)			0.00
Extraordinary maintenance			0.00			0.00
Housing assistance payments			0.00			0.00
Capital expenditures	2,930.00	2,921.72	(8.28)			0.00
<b>Total Expenditures</b>	<b>234,370.00</b>	<b>211,872.94</b>	<b>(22,497.06)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (31,647.00)</b>	<b>(31,420.96)</b>	<b>\$ 226.04</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>0.00</b>
Transfer of net income to unreserved deficit						
<b>FUND BALANCES, beginning of year</b>		<b>61,831.23</b>				
<b>FUND BALANCES, end of year</b>		<b>\$ 30,410.27</b>			<b>\$ 0.00</b>	

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

HOUSING AUTHORITY OF THE CITY OF HOMER

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET (GAAP BASIS) AND ACTUAL  
 DEBT SERVICE AND CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 1999

	Debt Service Fund			Capital Projects Funds		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
<b>REVENUES</b>						
Rentals	\$	\$	0.00	\$	\$	0.00
Intergovernmental			0.00	231,919.94	231,919.94	0.00
Interest			0.00			0.00
Other income			0.00			0.00
Total Revenues	0.00	0.00	0.00	231,919.94	231,919.94	0.00
<b>EXPENDITURES</b>						
Administration			0.00			0.00
Utilities			0.00			0.00
Ordinary maintenance			0.00			0.00
Protective services			0.00			0.00
General expenditures			0.00			0.00
Extraordinary maintenance			0.00			0.00
Housing assistance payments			0.00			0.00
Capital expenditures			0.00	231,919.94	237,265.02	(5,345.08)
Debt Service:						
Principal retirement	49,875.00	49,875.00	0.00			0.00
Interest	28,802.82	28,802.82	0.00			0.00
Total Expenditures	78,677.82	78,677.82	0.00	231,919.94	237,265.02	(5,345.08)
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (78,677.82)</u>	<u>(78,677.82)</u>	<u>0.00</u>	<u>\$ 0.00</u>	<u>(5,345.08)</u>	<u>\$ (5,345.08)</u>
Transfer of net income to unreserved deficit						
FUND BALANCES, beginning of year		78,677.82			(2,401.72)	
FUND BALANCES, end of year		<u>\$ 0.00</u>			<u>\$ (7,746.80)</u>	

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

# HOUSING AUTHORITY OF THE CITY OF HOMER

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Homer, Louisiana (the Authority), a public corporate body, was organized for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. In addition, the Authority has administrative responsibility for various other community development programs whose primary purpose is the development of viable urban communities by providing decent housing, a suitable living environment, and economic opportunities principally for persons of low and moderate income.

The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Homer, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities, housing assistance payments for eligible individuals, and receipt of annual debt service requirements for HUD-related long-term debt.

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of June 30, 1999, and for the fiscal year then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

(2) Fund Accounting

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are grouped by type and broad categories in the financial statements as follows:

HOUSING AUTHORITY OF THE CITY OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Fund Accounting (continued)

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the Authority are financed. The measurement focus is on determination of financial position and changes in financial position rather than on net income determination. The following are the Authority's governmental fund types:

General Fund - The General Fund is the general operating fund of the Authority. The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Authority which are not properly accounted for in another fund. All general operating revenues which are not *restricted or designated as to their use by outside sources* are recorded in the General Fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or rehabilitation of major capital facilities.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Authority as an agent for individuals, private organizations, other governmental units, and/or other funds. The following is the Authority's fiduciary fund type:

Agency Funds - Agency Funds include Tenant Security Deposit Fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of result of operations.

HOUSING AUTHORITY OF THE CITY OF HOMER

NOTES TO FINANCIAL STATEMENTS

(Continued)  
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the Authority's general fixed assets and general long-term debt for governmental fund types. These are not "funds." They are concerned only with the measurement of financial position and not with results of operations. The following are the Authority's account groups:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Authority.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the Authority.

(4) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are considered "measurable" when received in cash, except for certain revenues which are accrued when they are both measurable and available or have not been received at the normal time of receipt. Certain grant revenues are accrued when funds are expended. Revenues susceptible to accrual are federal grants, interest on investments, and other miscellaneous revenues which are both measurable and available to finance expenditures of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Agency Funds are custodial in nature and do not measure results of operations. They are clearing accounts whose assets at all times are equally offset by related liabilities.

(5) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program, included in the General Fund, and all Assisted Housing (Section 8) Programs, included in Special Revenue Funds. Annual budgets are not required for Capital Projects Funds as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

HOUSING AUTHORITY OF THE CITY OF HOMER

NOTES TO FINANCIAL STATEMENTS

(Continued)  
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures, such as reinstatement of prior-year encumbrances. The Board and HUD must approve fund appropriation increases. Any unused appropriations lapse at year-end. Budgeted amounts are as originally adopted or as amended by the Board and HUD.

The original budget has been amended throughout the year to reflect changes in revenue and expenditure estimates.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables. The difference is not considered materially different from generally accepted accounting principles.

(6) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

(7) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts amounting to \$ -0- at June 30, 1999.

(8) Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds to provide services, construct assets, and service debt. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.

(9) General Fixed Assets

General Fixed Assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Funds and capitalized at cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded at estimated fair market value at the time received. Depreciation is not recorded on general fixed assets. Public domain general fixed assets (infrastructure) consisting of certain improvements other than buildings, including roads, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets.

HOUSING AUTHORITY OF THE CITY OF HOMER

NOTES TO FINANCIAL STATEMENTS

(Continued)  
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs of completed Modernization projects are reported as construction-in-progress until audited cost certification reports are submitted to HUD, at which time such costs are transferred to the appropriate property categories.

(10) General Long-Term Debt

All long-term indebtedness of the Authority is accounted for in the General Long-Term Debt Account Group and is intended to be paid through the Debt Service Fund.

(11) Compensated Absences

Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service. The cost of this has not been accrued due to immateriality.

(12) Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" 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, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at June 30, 1999. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 - Uncollateralized, uninsured and unregistered, but with securities held by the bank, its trust department, or its agent, pledged to the PHA, but not in the PHA's name.

HOUSING AUTHORITY OF THE CITY OF HOMER

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
JUNE 30, 1999

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balances	Category		
	1	2	3
\$ <u>52,592.50</u>	\$ <u>52,592.50</u>	\$ <u>0.00</u>	\$ <u>0.00</u>

NOTE C - ACTIVITIES OF THE PHA

At June 30, 1999, the PHA was managing 99 units of low-rent in one project under Program FW — 925.

NOTE D - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

NOTE E - PROPERTY, PLANT AND EQUIPMENT

Changes in the general fixed assets account group are as follows:

	Beg. of Period	Additions	Deletions	End of Period
Land, land impvts.	\$ 7,200.00	\$	\$	\$ 7,200.00
Buildings	2,684,658.17	315,000.00		2,999,658.17
Equipment	158,921.74	2,921.22		161,842.96
Total	\$ <u>2,850,779.91</u>	\$ <u>317,921.22</u>	\$ <u>0.00</u>	\$ <u>3,168,701.13</u>

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

HOUSING AUTHORITY OF THE CITY OF HOMER

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 1999

All land and building are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

NOTE F - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

Long Term Debt

It is not possible to estimate the fair value of long term debt owed to the federal government by this governmental entity, a housing authority. FASB 107 describes fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction *between willing parties*.

NOTE G - ACCOUNTING FOR THE IMPAIRMENT OF LONG - LIVED ASSETS

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

NOTE H - USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

HOUSING AUTHORITY OF THE CITY OF HOMER

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 1999

NOTE I - YEAR 2000 COMPUTER CONVERSION

The PHA utilizes a fee accountant. The fee accountant has assessed the Year 2000 computer conversion issues. The fee accountant has recently purchased new computer hardware and software in anticipation of Year 2000. The software providers for the PHA's in-house software also appear to have addressed the Y2K issues. There is no guarantee that the computer systems will be Y2K compliant.

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

HOUSING AUTHORITY OF THE CITY OF HOMER

CAPITAL PROJECT FUND TYPES  
COMBINING BALANCE SHEET  
JUNE 30, 1999

CIAP Housing Programs

	CIAP 1997	CIAP 1998	PHDEP	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$	\$	\$	0.00
Receivables, net of allowances:				0.00
Rentals				0.00
Other				0.00
Due from:				0.00
Other funds		874.00		874.00
Other governments				0.00
Prepaid expenditures				0.00
<b>Total Assets</b>	<u>\$ 0.00</u>	<u>\$ 874.00</u>	<u>\$ 0.00</u>	<u>\$ 874.00</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accrued liabilities				0.00
Due to:				0.00
Other funds	742.65		7,878.15	8,620.80
Other governments				0.00
Deferred revenue				0.00
<b>Total liabilities</b>	<u>742.65</u>	<u>0.00</u>	<u>7,878.15</u>	<u>8620.80</u>
<b>FUND EQUITY</b>				
Reserved for capital projects	(742.65)	874.00	(7,878.15)	(7,746.80)
<b>Total fund equity</b>	<u>0.00</u>	<u>874.00</u>	<u>0.00</u>	<u>874.00</u>
<b>Total liabilities and fund equity</b>	<u>\$ 0.00</u>	<u>\$ 874.00</u>	<u>\$ 0.00</u>	<u>\$ 874.00</u>

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

HOUSING AUTHORITY OF THE CITY OF HOMER

CAPITAL PROJECT FUND TYPES  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 JUNE 30, 1999

CIAP Housing Programs

	CIAP 1997	CIAP 1998	PHDEP	Total
<b>REVENUES</b>				
Intergovernmental	\$ 209,762.67	\$ 9,061.73	\$ 13,095.54	\$ 231,919.94
Interest				0.00
Other				0.00
<b>Total Revenues</b>	<u>209,762.67</u>	<u>9,061.73</u>	<u>13,095.54</u>	<u>231,919.94</u>
<b>EXPENDITURES</b>				
Administration				0.00
General expenditures				0.00
Housing assistance payments				0.00
Other direct program costs				0.00
Capital expenditures	<u>209,503.50</u>	<u>8,187.73</u>	<u>19,573.69</u>	<u>237,264.92</u>
<b>Total Expenditures</b>	<u>209,503.50</u>	<u>8,187.73</u>	<u>19,573.69</u>	<u>237,264.92</u>
Excess (deficiency) of revenues over (under) expenditures	259.17	874.00	(6,478.15)	(5,344.98)
<b>FUND BALANCE, beginning of year</b>	<u>(1,001.82)</u>	<u>0.00</u>	<u>(1,400.00)</u>	<u>(2,401.82)</u>
<b>FUND BALANCE, end of year</b>	<u>\$ (742.65)</u>	<u>\$ 874.00</u>	<u>\$ (7,878.15)</u>	<u>\$ (7,746.80)</u>

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

HOUSING AUTHORITY OF THE CITY OF HOMER

FIDUCIARY FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 1999

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	<u>Agency Funds</u>	
	<u>Tenant Security Deposit Funds</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,010.00	\$ 6,010.00
Total Assets	<u>\$ 6,010.00</u>	<u>\$ 6,010.00</u>
<b>LIABILITIES</b>		
Due to tenants	\$ 6,010.00	\$ 6,010.00
Total Liabilities	<u>\$ 6,010.00</u>	<u>\$ 6,010.00</u>

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

HOUSING AUTHORITY OF THE CITY OF HOMER  
 FIDUCIARY FUNDS  
 SCHEDULE OF CHANGES IN DEPOSITS DUE TO OTHERS  
 JUNE 30, 1999

	<u>Agency Funds</u>	
	<u>Tenant Security Deposit Funds</u>	<u>Total Fiduciary Funds</u>
DEPOSIT BALANCES AT BEGINNING OF YEAR	\$ 7,045.00	\$ 7,045.00
ADDITIONS		
_____		0.00
_____		0.00
_____		0.00
_____		0.00
_____		0.00
Total Additions	<u>0.00</u>	<u>0.00</u>
REDUCTIONS		
Payments to Tenants	1,035.00	1,035.00
_____		0.00
_____		0.00
_____		0.00
_____		0.00
Total Reductions	<u>1,035.00</u>	<u>1,035.00</u>
DEPOSIT BALANCES AT END OF YEAR	<u>\$ 6,010.00</u>	<u>\$ 6,010.00</u>

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

## HOUSING AUTHORITY OF THE CITY OF HOMER

BALANCE SHEET — STATUTORY BASIS  
JUNE 30, 1999ANNUAL CONTRIBUTION CONTRACT  
FW — 925ASSETS

Accounts receivable - tenants	\$	6,097.00
Accounts receivable - other		60.00
Investments - Note B		52,592.50
Deferred charges		24,759.93
Land, structures and equipment		<u>3,453,906.69</u>
Total Assets	\$	<u><u>3,537,416.12</u></u>

LIABILITIES AND SURPLUS

Accounts payable	\$	7,473.15
Accrued liabilities		13,988.22
Deferred credits		<u>39,384.62</u>
Total Liabilities		60,845.99
Surplus - Exhibit C		<u>3,476,570.13</u>
Total Liabilities and Surplus	\$	<u><u>3,537,416.12</u></u>

HOUSING AUTHORITY OF THE CITY OF HOMER  
STATEMENT OF INCOME AND EXPENSES – STATUTORY BASIS  
ANNUAL CONTRIBUTION CONTRACT  
FW – 925

		Year Ended
		06-30-99
Operating Income		
Dwelling rental	\$	87,955.06
Interest on general fund investments		180.05
Other income		4,183.87
		92,318.98
Total Operating Income - Exhibit D		92,318.98
Operating Expenses		
Administration		57,798.99
Utilities		35,103.80
Ordinary maintenance and operation		52,260.84
General expense		63,587.59
		208,751.22
Total Operating Expense - Exhibit D		208,751.22
Net Operating Income (Loss)		(116,432.24)
Other Charges		
Interest on notes and bonds payable		27,814.22
Prior year adjustments - affecting residual receipts		200.00
		28,014.22
Total Other Charges		28,014.22
Net Loss - Exhibit C	\$	(144,446.46)

## HOUSING AUTHORITY OF THE CITY OF HOMER

ANALYSIS OF SURPLUS — STATUTORY BASIS  
TWELVE MONTHS ENDED JUNE 30, 1999ANNUAL CONTRIBUTION CONTRACT  
FW — 925Unreserved Surplus

Balance per prior audit at 06-30-98	\$	(2,050,982.91)
Prior audit adjustment recorded in subsequent year		
Net loss for the year ended 06-30-99 - Exhibit B		(144,446.46)
(Provision for) reduction of Operating Reserve for year ended 06-30-99 - Exhibit D		31,420.93
Balance at 06-30-99		<u>(2,164,008.44)</u>

Reserved Surplus - Operating Reserve

Balance per prior audit at 06-30-98		61,831.20
Provision for (reduction of) Operating Reserve for the year ended 06-30-99 - Exhibit D		(31,420.93)
Balance at 06-30-99 - Exhibit F	\$	<u>30,410.27</u>

## HOUSING AUTHORITY OF THE CITY OF HOMER

ANALYSIS OF SURPLUS – STATUTORY BASIS  
TWELVE MONTHS ENDED JUNE 30, 1999ANNUAL CONTRIBUTION CONTRACT  
FW – 925Cumulative HUD Contributions

Balance per prior audit at 06-30-98	\$	3,571,278.46
Adjustment to write off bonds payable		481,001.47
Annual contribution for year ended 06-30-99 - Exhibit D		79,103.61
Operating subsidy for year ended 06-30-99		88,133.00
Balance at 06-30-99		<u>4,219,516.54</u>

Cumulative HUD Grants

Balance per prior audit at 06-30-98		1,158,731.82
Advances for year ended 06-30-99		<u>231,919.94</u>
Balance at 06-30-99		<u>1,390,651.76</u>
Total Surplus - Exhibit A	\$	<u><u>3,476,570.13</u></u>

## HOUSING AUTHORITY OF THE CITY OF HOMER

## COMPUTATION OF RESIDUAL RECEIPTS AND ACCRUING ANNUAL CONTRIBUTIONS

ANNUAL CONTRIBUTION CONTRACT  
FW — 925

	Year Ended
	<u>06-30-99</u>
<u>Computation of Residual Receipts</u>	
<u>Operating Receipts</u>	
Operating Income - Exhibit B	\$ 92,318.98
HUD operating subsidy	88,133.00
Total Operating Receipts	<u>180,451.98</u>
<u>Operating Expenditures</u>	
Operating expenses - Exhibit B	208,751.22
Capital expenditures:	
Replacement of nonexpendable equipment	2,921.69
Prior year adjustments - affecting residual receipts	200.00
Total Operating Expenditures	<u>211,872.91</u>
Residual receipts (deficit) per audit before provision for reserve	(31,420.93)
Audit adjustments (backed out)	<u>                    </u>
Residual receipts per PHA before provision for reserve	(31,420.93)
(Provision for) or reduction of operating reserve - Exhibit C	<u>31,420.93</u>
Residual receipts per PHA	\$ <u><u>0.00</u></u>

HOUSING AUTHORITY OF THE CITY OF HOMER

COMPUTATION OF RESIDUAL RECEIPTS AND ACCRUING ANNUAL CONTRIBUTIONS

ANNUAL CONTRIBUTION CONTRACT  
FW — 925

	<u>Year Ended</u>
	<u>06-30-99</u>
<u>Computation of Accruing Annual Contributions</u>	
Fixed annual contribution	\$ <u>79,103.61</u>
Total Annual Contribution - Exhibit C	\$ <u><u>79,103.61</u></u>

HOUSING AUTHORITY OF THE CITY OF HOMER  
 STATEMENT OF MODERNIZATION COSTS — UNCOMPLETED  
 JUNE 30, 1999

	PHDEP 1997		CIAP 1997		CIAP 1998
	<u>                    </u>		<u>                    </u>		<u>                    </u>
Funds Approved	\$ 50,000.00	\$	300,000.00	\$	1,118,929.00
Funds Expended	<u>20,973.69</u>		<u>256,044.14</u>		<u>8,187.73</u>
Excess of Funds Approved	<u>\$ 29,026.31</u>	\$	<u>43,955.86</u>	\$	<u>1,110,741.27</u>
Funds Advanced	\$ 13,095.54	\$	255,301.49	\$	9,061.73
Funds Expended	<u>20,973.69</u>		<u>256,044.14</u>		<u>8,187.73</u>
Excess of Funds Advanced	<u>\$ (7,878.15)</u>	\$	<u>(742.65)</u>	\$	<u>874.00</u>

HOUSING AUTHORITY OF THE CITY OF HOMER  
ANALYSIS OF GENERAL FUND CASH BALANCE  
ANNUAL CONTRIBUTION CONTRACT  
FW — 925

Composition Before Adjustments

Net operating receipts retained:		
Operating reserves - Exhibit C	\$	30,410.27
Audit adjustments to net operating receipts "backed out"		
Deferred credits		39,384.62
Excess modernization expenditures - Exhibit E		(7,746.80)
		<u>62,048.09</u>
 Adjustments		
Expenses/costs not paid:		
Accounts payable		7,473.12
Accrued payments in lieu of taxes		13,988.22
 Income not received:		
Accounts receivable		<u>(6,157.00)</u>
 General Fund Cash Available		77,352.43
 General Fund Cash:		
Invested		(52,592.50)
Applied to deferred charges (prepaid insurance, inventories, etc.)		<u>(24,759.93)</u>
 General Fund Cash - Exhibit A	\$	<u><u>0.00</u></u>

HOUSING AUTHORITY OF THE CITY OF HOMER  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	GRANT ID NO.	AWARD AMOUNT	PROGRAM EXPENDITURES	
U.S. Department of Housing and Urban Development					
Direct Programs:					
Low-Income Housing					
Annual Contribution	14.850	FW- 925	\$ 79,103.61	\$ 79,103.61	1/
Operating Subsidy	14.850	FW- 925	88,133.00	88,133.00	
Major Program Total			167,236.61	167,236.61	
PHDEP	14.854	FW- 925	13,095.54	19,573.69	
Major Program Total			13,095.54	19,573.69	
Comprehensive Improvement Assistance Program					
Project 1997	14.852	FW- 925	209,762.67	209,503.50	
Project 1998	14.852	FW- 925	9,061.73	8,187.83	
Major Program Total			218,824.40	217,691.33	
Total HUD			\$ 399,156.55	\$ 404,501.63	

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

(817) 831-3553

METRO (817) 654-4063

FAX (817) 831-3560

e-mail: [estes3@flash.net](mailto:estes3@flash.net)

MIKE ESTES, CPA/PFS, CFP

MEMBER  
AMERICAN BOARD CERTIFIED  
PUBLIC ACCOUNTANTS

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 the  
City of Homer  
Homer, Louisiana

Compliance

We have audited the compliance of the Housing Authority of the City of Homer, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and HUD Notice PIH 96-53 that are applicable to each of its major federal programs for the year ended June 30, 1999. The Housing Authority of the City of Homer 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 the City of Homer, Louisiana's management. Our responsibility is to express an opinion on the Housing Authority of the City of Homer, Louisiana'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* and HUD Notice PIH 96-53. 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 the City of Homer, Louisiana'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 the Housing Authority of the City of Homer, Louisiana's compliance with those requirements. We noted the five instances of noncompliance. They are in the Schedule of Audit Findings.

In our opinion, the Housing Authority of the City of Homer, 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 June 30, 1999.

#### Internal Control Over Compliance

The management of The Housing Authority of the City of Homer, 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 the City of Homer, 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 and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Mike Estes P. C.*

Fort Worth, Texas  
December 1, 1999

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

**(817) 831-3553**

**METRO (817) 654-4063**

**FAX (817) 831-3560**

**e-mail: [estes3@flash.net](mailto:estes3@flash.net)**

**MIKE ESTES, CPA/PFS, CFP**

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

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

Housing Authority of the  
City of Homer  
Homer, Louisiana

We have audited the financial statements of the Housing Authority of the City of Homer, Louisiana as of and for the year ended June 30, 1999, and have issued our report thereon dated December 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Homer, 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*, or the Louisiana Governmental Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Homer, 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 and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Mike Estes P. C.*

Fort Worth, Texas  
December 1, 1999

HOUSING AUTHORITY OF THE CITY OF HOMER  
 SCHEDULE OF ADJUSTING JOURNAL ENTRIES

JUNE 30, 1999

	ACCT. # FOR AUDIT REPORT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
<1> Unreserved Surplus	2810		109,814.07	2810
Cumulative HUD Contributions	2845	109,814.07		2845

To reclass entry to write off bonds payable

HOUSING AUTHORITY OF THE CITY OF HOMER  
STATUS OF PRIOR AUDIT FINDINGS AND CURRENT AUDIT FINDINGS  
JUNE 30, 1999

Excessive Tenants' Accounts Receivable

1) Tenants' accounts receivable of \$ 6,097.00 at 6/30/99 is considered excessive. Per the rental register, this figure has increased to a total due of \$ 8,764.00 at 9/30/99.

Recommendation

The PHA's collection policy looks adequate as described. It appears that it is not being consistently enforced, and eviction procedures are not being timely started. 8 tenants that owed \$ 3,274 at 6/30/99 are still in the PHA at 12/1/99, and now owe \$ 5,560.

Workout agreements need to be adhered to. Uncollectible rents need to be written off by Board resolution. Potential tenants should not re-enter the PHA until past due amounts are collected.

Reply

We will comply with the above.

Lack Of Timely Financial Information

2) As of 12/1/99, no financial statements have been prepared since those for the 6/30/99 year end.

Recommendation

HUD requires that current financial statements be prepared and available for third party review. Obviously, PHA management should review these statements.

Reply

We are in the process of hiring a new fee accountant. We will obtain current financial statements as soon as possible.

Utility Allowance Not Updated

3) The PHA is supposed to review its utility allowances annually, according to HUD. If there has been more than a 10% change in the rates, HUD requires the allowances be revised.

Recommendation

The PHA has not revised its rates in years. This needs to be done.

Reply

We will comply with the above.

Unit Inspections Not timely Performed

4) We reviewed eight tenant files. Two of these tenants moved in during the year ended 6/30/99. Periodic inspections were not in the six files, and move-in inspections were not in the two move-in's.

Recommendation

Units need to be inspected annually, and documented. Move-in and move-out inspections need to be documented.

HOUSING AUTHORITY OF THE CITY OF HOMER  
STATUS OF PRIOR AUDIT FINDINGS AND CURRENT AUDIT FINDINGS  
(CONTINUED)

JUNE 30, 1999

Reply

With our ongoing CIAP's, we are constantly in and out of the units. We are also inspecting them. We will do a better job of documenting our inspections. We video tape at move in with the tenants on the tape, per HUD's recommendation. We photograph any excessive wear and tear at interim. We video tape the wear and tear at move-out.

PHMAP Indicators Incorrect

5) The information was not available for me to recompute Indicator 1, Component #2, Unit Turnaround, f, g, and h - average days of downtime, ready time and lease up time. Indicator 5, Component #1, f and g should be 72, instead of 77.

Recommendation

I discussed these ratios with the PHA personnel. They should be computed correctly in the future.

Reply

We will comply with the above.