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HOUSING AUTHORITY OF THE CITY OF OBERLIN, LOUISIANA

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

TWELVE MONTHS ENDED DECEMBER 31, 1999

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 JUL 19 2000

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION

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MEMBER
AMERICAN BOARD CERTIFIED
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Independent Auditor's Report

Board of Commissioners
Housing Authority of the
City of Oberlin
Oberlin, 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 of the Housing Authority of the City of Oberlin, Louisiana at and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Housing Authority of the City of Oberlin, 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 referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Oberlin, Louisiana as of December 31, 1999 and the results of its operations and changes in its total net assets for the year then ended, in conformity with generally accepted accounting principles.

As described in Note A to the financial statements, the PHA has changed from the Governmental Funds to the Enterprise Funds method for the year ended December 31, 1999.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2000 on our consideration of Housing Authority of the City of Oberlin'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 of an audit performed in accordance with *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 general-purpose financial statements taken as a whole. The accompanying Financial Data Schedule and other supplementary schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information had 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 as a whole.

Mike Estes, P.C.

Fort Worth, Texas
June 13, 2000

HOUSING AUTHORITY OF THE CITY OF OBERLIN
BALANCE SHEET - ENTERPRISE FUND
DECEMBER 31, 1999

FW - 476

Assets

Current assets

Cash - Note B	\$	8,059.00
Investments - Note B		25,017.00
Accounts receivable - tenants, net of allowance for bad debts, zero		0.00
Inventories		200.00
Prepaid insurance		970.00

Total current assets		34,246.00
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Fixed Assets

Land		7,594.00
Buildings		726,397.00
Furniture, equipment & machinery		47,002.00
		780,993.00

Less: Accumulated depreciation		(572,294.00)
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Net fixed assets		208,699.00
-------------------------	--	------------

Total assets	\$	242,945.00
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The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF OBERLIN
BALANCE SHEET - ENTERPRISE FUND BASIS
DECEMBER 31, 1999

FW - 476

Liabilities

Current liabilities

Tenant's security deposits	\$	1,800.00
Accounts payable - HUD		4,286.00

Total current liabilities		<u>6,086.00</u>
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Fund equity

Net HUD contributions		<u>208,699.00</u>
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Total contributed capital		<u>208,699.00</u>
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Retained earnings - Exhibit B		<u>28,160.00</u>
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Total Net Assets		<u>236,859.00</u>
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Total Liabilities and Net Assets	\$	<u><u>242,945.00</u></u>
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The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF OBERLIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 1999

FW - 476

Revenues

Tenant revenue	\$	24,165.00
HUD subsidy - Low Rent		9,170.00
Interest income		1,127.00
		<hr/>
Total Operating Revenue		34,462.00
Operating expenses		
Administrative		19,260.00
Utilities		1,527.00
Maintenance		7,682.00
General expense		8,200.00
Depreciation		42,103.00
		<hr/>
Total operating expenses		78,772.00
		<hr/>
Net operating income		(44,310.00)
Retained earnings (operating reserve), 12/31/98		30,369.00
Add: HUD - REAC prior year GAAP adjustments		42,101.00
		<hr/>
Retained earnings, 12/31/99	\$	28,160.00
Net HUD contribution, 12/31/98		546,374.00
Current year addition and REAC adjustments		337,675.00
		<hr/>
Net HUD contribution, 12/31/99		208,699.00
		<hr/>
Total Net Assets, 12/31/99 - Exhibit A	\$	236,859.00
		<hr/> <hr/>

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

HOUSING AUTHORITY OF THE CITY OF OBERLIN
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 1999

FW - 476

Cash flows from operating activities:

Tenant revenue	\$	24,165.00
Operating expenses		<u>(78,772.00)</u>
Net cash (used) in operating activities		<u><u>(54,607.00)</u></u>

Cash flows from noncapital financing activities

Operating subsidies received		<u>9,170.00</u>
Net cash provided by noncapital financing activities		<u><u>9,170.00</u></u>

Cash flows from investing activities

Interest income		<u>1,127.00</u>
Net cash provided (used) from investing activities	\$	<u><u>1,127.00</u></u>

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

HOUSING AUTHORITY OF THE CITY OF OBERLIN
 STATEMENT OF CASH FLOWS - ENTERPRISE FUND (continued)
 YEAR ENDED DECEMBER 31, 1999

FW - 476

Adjustments

Depreciation		42,103.00
NET HUD - REAC adjustments - noncash		262.00
Changes in assets and liabilities:		
Increase in prepaid insurance	\$	(212.00)
Decrease (increase) in accrued pilot		(280.00)
Increase in accounts payable		2,503.00
Total adjustments		44,376.00
Change in cash and equivalents		66.00
Cash and equivalents beginning of year		33,010.00
Cash and equivalents end of year - Exhibit A	\$	33,076.00

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

HOUSING AUTHORITY OF THE CITY OF OBERLIN
COMPARISON OF ACTUAL HUD REVENUE AND
EXPENSES TO HUD BUDGETED
YEAR ENDED DECEMBER 31, 1999

	<u>FW - 476</u>		
	<u>HUD Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
Tenant revenue	\$ 21,300.00	\$ 24,165.00	\$ 2,865.00
HUD subsidy - Low Rent	9,170.00	9,170.00	0.00
Interest income	1,250.00	1,127.00	(123.00)
Other revenue	300.00	0.00	(300.00)
Total operating revenue	<u>32,020.00</u>	<u>34,462.00</u>	<u>2,442.00</u>
Operating expenses			
Administration	22,851.00	19,260.00	(3,591.00)
Utilities	1,900.00	1,527.00	(373.00)
Maintenance	10,461.00	7,682.00	(2,779.00)
General expense	7,408.00	8,200.00	792.00
Depreciation	0.00	42,103.00	42,103.00
Total operating expenses	<u>\$ 42,620.00</u>	<u>\$ 78,772.00</u>	<u>\$ 36,152.00</u>
Excess (deficient) revenues	(10,600.00)	(44,310.00)	(33,710.00)
Add:			
Depreciation - not budgeted by HUD	0.00	8,200.00	8,200.00
Deduct:			
Capital expenditures - budgeted by HUD	<u>(550.00)</u>	<u>0.00</u>	<u>550.00</u>
Excess (deficiency) of budgeted revenues over expenses	<u>\$ (11,150.00)</u>	<u>\$ (36,110.00)</u>	<u>\$ (24,960.00)</u>

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

HOUSING AUTHORITY OF THE CITY OF OBERLIN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE

The Housing Authority of Oberlin, 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. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Oberlin, 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 and housing assistance payments for eligible individuals.

(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 December 31, 1999, and for the fiscal then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF THE CITY OF OBERLIN

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(2) Change in Accounting Principle

For the year ended December 31, 1999, the PHA has changed from the Government Funds Method to the Enterprise Method. This change was strongly recommended by the Real Estate Assessment Center (REAC) of The Department of Housing and Urban Development.

The Enterprise Funds Method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The Enterprise Fund recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. In the prior method used, the Governmental Funds Method, the modified accrual method was necessary.

Depreciation expense must be recognized for the Enterprise Fund. Under the Governmental Funds Method, depreciation was optional and the PHA elected not to recognize it.

The PHA elected to close depreciation on contributed assets to contributed capital. Using this "addback" option, the full amount of depreciation is still reported on the income statement, and reduces the net income reported. REAC directs that soft costs from development and modernization be deleted from fixed assets and charged to HUD Capital Contributions.

REAC also allows PHA's to reclassify outstanding debt owed to Contributed Capital.

HOUSING AUTHORITY OF THE CITY OF OBERLIN

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

Retained earnings has been restricted for the following prior period adjustments: depreciation, soft costs and accrued leave.

(3) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program and the Section 8 Programs. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

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.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

(4) Cash and Cash Equivalents

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

HOUSING AUTHORITY OF THE CITY OF OBERLIN

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(5) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts.

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 December 31, 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 OBERLIN

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

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

Total Bank Balance	Category		
	1	2	3
\$ <u>33,076</u>	\$ <u>33,076</u>	\$ <u> </u>	\$ <u> </u>

NOTE C - ACTIVITIES OF THE PHA

At December 31, 1999, the PHA was managing 18 units of low-rent in one project under Program FW - 476.

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.

HOUSING AUTHORITY OF THE CITY OF OBERLIN

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	15 Years
Buildings	33 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

	12/31/99	12/31/98		12/31/99
	<u>Cost</u>	<u>Accumulated</u>	<u>Current</u>	<u>Accumulated</u>
		<u>Depreciation</u>	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 7,594			
Buildings and Improvements	726,397	515,427	33,449	548,876
Equipment	47,002	14,762	8,654	23,416
	<u>780,993</u>	<u>530,189</u>	<u>42,103</u>	<u>572,292</u>

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

NOTE F - LONG-TERM DEBT

As noted in Note A, long-term debt owed to HUD has been closed to Contributed Capital. For the year ended December 31, 1999, Housing Agency bonds outstanding of \$ 41,946 were closed to capital contributions.

HOUSING AUTHORITY OF THE CITY OF OBERLIN

NOTES TO FINANCIAL STATEMENTS

(continued)

DECEMBER 31, 1999

NOTE G 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.

NOTE H - 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 I - 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.

NOTE J - COMPENSATED ABSENCES

At 12/31/99, the PHA has no liability for compensated absences.

NOTE K - FUND EQUITY AND RETAINED EARNINGS

As a result of changing from HUD statutory method of accounting to the enterprise fund-type of proprietary accounting, 12/31/98 fund equity and 12/31/98 retained earnings have been restated. Prior period adjustments were for accumulated depreciation and soft costs.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF OBERLIN
 ANALYSIS OF GENERAL FUND CASH BALANCE
 ANNUAL CONTRIBUTION CONTRACT
FW - 476

Composition Before Adjustments	
Net operating receipts retained:	
Retained earnings - Exhibit B	\$ 28,160.00
	28,160.00
Adjustments	
Expenses/costs not paid:	
Accounts payable	6,086.00
Income not received:	
Accounts receivable	0.00
	0.00
General Fund Cash Available	34,246.00
General Fund Cash:	
Applied to deferred charges (prepaid insurance, inventories, etc.)	(1,170.00)
	(1,170.00)
General Fund Cash - Exhibit A	33,076.00

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

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

YEAR ENDED DECEMBER 31, 1999

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>GRANT ID NO.</u>	<u>PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low-Income Housing			
Operating Subsidy	14.85	FW - 476	9,170.00
Major Program Total			<u>9,170.00</u>
 Total HUD			 \$ <u><u>9,170.00</u></u>

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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 Oberlin
Oberlin, Louisiana

We have audited the financial statements of the Housing Authority of the City of Oberlin, Louisiana as of and for the year ended December 31, 1999, and have issued our report thereon dated June 13, 2000. 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 Oberlin, 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 an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 Oberlin, 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 a matter of public record and its distribution is not limited.

Mike Estes, P.C.

Fort Worth, Texas
June 13, 2000

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

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

DECEMBER 31, 1999

Prior Audit Findings and Questioned Costs

The prior audit finding has been satisfactorily resolved.

Current Audit Findings

None.