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HOUSING AUTHORITY OF THE CITY OF JENNINGS, LOUISIANA

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

TWELVE MONTHS ENDED MARCH 31, 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 SEP 15 1999

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

(817) 831-3553

METRO (817) 654-4063

FAX (817) 831-3560

MIKE ESTES, CPA/PFS, CFP

MEMBER
AMERICAN BOARD CERTIFIED
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Housing Authority of the
City of Jennings
Jennings, 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 Jennings, Louisiana at and for the year ended March 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 Jennings, Louisiana' 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.

As described in Note A, the authority's policy is to prepare its financial statements on the basis of accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Jennings, Louisiana as of March 31, 1999 and the results of its operations and changes in its surplus for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 1999 on our consideration of Housing Authority of the City of Jennings'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 Jennings, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, 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
August 27, 1999

HOUSING AUTHORITY OF THE CITY OF JENNINGS

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 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	
ASSETS									
Cash and cash equivalents	\$ 34,358.61	\$	\$	\$	\$ 17,375.00	\$	\$	\$	\$ 51,733.61
Investments	91,996.05								91,996.05
Due from:									
Other governments			18.50						18.50
Prepaid expenditures	8,701.58								8,701.58
Property, plant and equipment						6,867,574.44			6,867,574.44
Amount to be provided for retirement							1,529,490.21		1,529,490.21
Total Assets	\$ 135,056.24	\$ 0.00	\$ 18.50	\$ 0.00	\$ 17,375.00	\$ 6,867,574.44	\$ 1,529,490.21	\$ 1,529,490.21	\$ 8,549,514.39

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
MARCH 31, 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	
LIABILITIES AND FUND EQUITY									
LIABILITIES									
Accounts payable	\$ 690.45	\$	\$	\$	\$				\$ 690.45
Accrued liabilities	5,998.44								5,998.44
Due to:									
Tenants					17,375.00				17,375.00
Other funds									0.00
Other governments									0.00
Deferred revenue	134.08								134.08
General obligation bonds payable and other liabilities							1,529,490.21		1,529,490.21
Total Liabilities	<u>6,822.97</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>17,375.00</u>	<u>0.00</u>	<u>1,529,490.21</u>	<u>0.00</u>	<u>1,553,688.18</u>
FUND EQUITY									
Investment in general fixed assets				6,867,574.44					6,867,574.44
Fund balances:									
Reserved for debt service			18.50						18.50
Unreserved:									
Undesignated	<u>128,233.27</u>								<u>128,233.27</u>
Total Fund Equity	<u>128,233.27</u>	<u>0.00</u>	<u>18.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,867,574.44</u>	<u>0.00</u>	<u>6,995,826.21</u>
Total Liabilities and Fund Equity	<u>\$ 135,056.24</u>	<u>\$ 0.00</u>	<u>\$ 18.50</u>	<u>\$ 0.00</u>	<u>\$ 17,375.00</u>	<u>\$ 6,867,574.44</u>	<u>\$ 1,529,490.21</u>	<u>\$ 1,529,490.21</u>	<u>\$ 8,549,514.39</u>

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 1999

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES					
Rentals	\$ 253,278.50	\$	\$	\$	\$ 253,278.50
Intergovernmental	43,412.00				43,412.00
Interest	1,639.22				1,639.22
Other	26,588.87				26,588.87
 Total Revenues	 <u>324,918.59</u>	 <u>0.00</u>	 <u>0.00</u>	 <u>0.00</u>	 <u>324,918.59</u>
EXPENDITURES					
Administration	95,483.27				95,483.27
Utilities	22,569.43				22,569.43
Ordinary maintenance	104,135.20				104,135.20
Tenant services	7,698.70				7,698.70
General expenditures	115,085.48				115,085.48
Capital expenditures	6,270.19				6,270.19
Debt service:					
Principal retirement			64,950.19		64,950.19
Interest			104,629.35		104,629.35
 Total expenditures	 <u>351,242.27</u>	 <u>0.00</u>	 <u>169,579.54</u>	 <u>0.00</u>	 <u>520,821.81</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,323.68)</u>	<u>0.00</u>	<u>(169,579.54)</u>	<u>0.00</u>	<u>(195,903.22)</u>
OTHER FINANCING SOURCES(USES)					
Operating transfers in					0.00
Operating transfers out					0.00
 Total other financing sources(uses)	 <u>0.00</u>	 <u>0.00</u>	 <u>0.00</u>	 <u>0.00</u>	 <u>0.00</u>
FUND BALANCE, beginning of year	<u>154,556.96</u>		<u>169,598.04</u>		<u>324,155.00</u>
FUND BALANCE, end of year	<u>\$ 128,233.28</u>	<u>\$ 0.00</u>	<u>\$ 18.50</u>	<u>\$ 0.00</u>	<u>\$ 128,251.78</u>

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL
 GENERAL FUND AND SPECIAL REVENUE FUNDS
 YEAR ENDED MARCH 31, 1999

	General Fund			Special Revenue Funds		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
REVENUES						
Rentals	\$264,150.00	\$253,278.50	\$ (10,871.50)	\$	\$	0.00
Intergovernmental	43,412.00	43,412.00	0.00			0.00
Interest	5,140.00	1,639.22	(3,500.78)			0.00
Other income	23,050.00	26,588.87	3,538.87			0.00
Total Revenues	335,752.00	324,918.59	(10,833.41)	0.00	0.00	0.00
EXPENDITURES						
Administration	98,030.00	95,483.27	(2,546.73)			0.00
Utilities	25,270.00	22,569.43	(2,700.57)			0.00
Ordinary maintenance	95,876.00	104,135.20	8,259.20			0.00
Tenant services	7,082.00	7,698.70	616.70			0.00
General expenditures	113,300.00	115,085.48	1,785.48			0.00
Capital expenditures	6,325.00	6,270.19	(54.81)			0.00
Total Expenditures	345,883.00	351,242.27	5,359.27	0.00	0.00	0.00
Excess (deficiency) of revenues over (under) expenditures	\$ (10,131.00)	(26,323.68)	\$ (16,192.68)	\$ 0.00	\$ 0.00	0.00
Transfer of net income to unreserved deficit						
FUND BALANCES, beginning of year		154,556.95				
FUND BALANCES, end of year		\$128,233.27		\$	0.00	

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL
 DEBT SERVICE AND CAPITAL PROJECTS FUNDS
 YEAR ENDED MARCH 31, 1999

	Debt Service Fund			Capital Projects Funds		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
REVENUES						
Rentals	\$	\$	\$	\$	\$	\$
Total Revenues	0.00	0.00	0.00	0.00	0.00	0.00
EXPENDITURES						
Debt Service:						
Principal retirement	64,950.19	64,950.19	0.00			0.00
Interest	104,029.35	104,629.35	600.00			0.00
Total Expenditures	168,979.54	169,579.54	600.00	0.00	0.00	0.00
Excess (deficiency) of revenues over (under) expenditures	\$ (168,979.54)	(169,579.54)	(600.00)	0.00	0.00	0.00
Transfer of net income to unreserved deficit						
FUND BALANCES, beginning of year		169,598.04				
FUND BALANCES, end of year		\$ 18.50		\$	0.00	

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Jennings, 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 Jennings, 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 March 31, 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 JENNINGS

NOTES TO FINANCIAL STATEMENTS

(Continued)

MARCH 31, 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 JENNINGS

NOTES TO FINANCIAL STATEMENTS

(Continued)

MARCH 31, 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 JENNINGS

NOTES TO FINANCIAL STATEMENTS

(Continued)

MARCH 31, 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 March 31, 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 JENNINGS

NOTES TO FINANCIAL STATEMENTS

(Continued)
MARCH 31, 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 March 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 JENNINGS

NOTES TO FINANCIAL STATEMENTS
(Continued)
MARCH 31, 1999

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

Total Bank Balances	Category		
	1	2	3
\$ <u>143,729.66</u>	\$ <u>100,000.00</u>	\$ <u>0.00</u>	\$ <u>43,729.66</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand.

NOTE C - ACTIVITIES OF THE PHA

At March 31, 1999, the PHA was managing 163 units of low-rent in two projects under Program FW – 2028.

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.	\$ 1,632,785.92	\$	\$	\$ 1,632,785.92
Buildings	4,485,675.48	571,536.00		5,057,211.48
Equipment	171,306.85	6,270.19		177,577.04
Total	\$ <u>6,289,768.25</u>	\$ <u>577,806.19</u>	\$ <u>0.00</u>	\$ <u>6,867,574.44</u>

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

NOTES TO FINANCIAL STATEMENTS
(Continued)
MARCH 31, 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.

NOTES F - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>Interest Rate</u>		<u>Principal Balance</u>
FF B Note	<u>0.66 %</u>	\$	<u>1,529,490.21</u>

The bonds mature in series annually in varying amounts with the final maturity date in 2013 . All required debt service to maturity on the bonds, including principal and interest, is payable by HUD under a debt service contract with the entity.

Long-term debt is secured by the land and buildings of the entity.

Changes in long-term debt is as follows:

		<u>Bonds</u>
Balance, beginning of period	\$	1,594,440.40
Principal retirement		<u>64,950.19</u>
Balance, end of period	\$	<u>1,529,490.21</u>

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

NOTES TO FINANCIAL STATEMENTS
(Continued)
MARCH 31, 1999

Schedule retirements of long-term debt is as follows:

2000	\$	61,610.92
2001		65,629.48
2002		70,221.99
2003		74,856.64
2004		79,797.18
Thereafter		1,177,374.00

NOTE G - RETIREMENT PLAN

The entity provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six months exclusionary period. The employee contributes 5.5 % and the entity contributes 7.5 % of the employee's base salary each month. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

Contributions to the plan were approximately \$ 7,356.00 and \$ 9,492.00 by the employee and the entity, respectively.

NOTE H - 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.

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

NOTES TO FINANCIAL STATEMENTS

(Continued)

MARCH 31, 1999

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 I - 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 J - 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 K - 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.

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

FIDUCIARY FUNDS
 COMBINING BALANCE SHEET
 MARCH 31, 1999

	<u>Agency Funds</u>	
	<u>Tenant Security Deposit Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS		
Cash and cash equivalents	\$ 17,375.00	\$ 17,375.00
Total Assets	<u>\$ 17,375.00</u>	<u>\$ 17,375.00</u>
LIABILITIES		
Due to tenants	\$ 17,375.00	\$ 17,375.00
Total Liabilities	<u>\$ 17,375.00</u>	<u>\$ 17,375.00</u>

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS
 FIDUCIARY FUNDS
 SCHEDULE OF CHANGES IN DEPOSITS DUE TO OTHERS
 MARCH 31, 1999

	<u>Agency Funds</u>	
	<u>Tenant Security Deposit Funds</u>	<u>Total Fiduciary Funds</u>
DEPOSIT BALANCES AT BEGINNING OF YEAR	\$ 12,863.97	\$ 12,863.97
ADDITIONS		
<u>Payments from Tenants</u>	4,511.03	4,511.03
_____		0.00
_____		0.00
_____		0.00
_____		0.00
Total Additions	<u>4,511.03</u>	<u>4,511.03</u>
REDUCTIONS		
_____		0.00
_____		0.00
_____		0.00
_____		0.00
_____		0.00
Total Reductions	<u>0.00</u>	<u>0.00</u>
DEPOSIT BALANCES AT END OF YEAR	\$ <u>17,375.00</u>	\$ <u>17,375.00</u>

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

HOUSING AUTHORITY OF THE CITY OF JENNINGS

BALANCE SHEET — STATUTORY BASIS
MARCH 31, 1999ANNUAL CONTRIBUTION CONTRACT
FW — 2028ASSETS

Cash - Exhibit F	\$	34,358.61
Investments - Note B		109,371.05
Debt amortization funds		18.50
Deferred charges		8,701.58
Land, structures and equipment		<u>6,867,574.44</u>
Total Assets	\$	<u><u>7,020,024.18</u></u>

LIABILITIES AND SURPLUS

Accounts payable	\$	18,065.45
Accrued liabilities		5,998.44
Deferred credits		134.08
Fixed liabilities		<u>1,529,490.21</u>
Total Liabilities		1,553,688.18
Surplus - Exhibit C		<u>5,466,336.00</u>
Total Liabilities and Surplus	\$	<u><u>7,020,024.18</u></u>

HOUSING AUTHORITY OF THE CITY OF JENNINGS
STATEMENT OF INCOME AND EXPENSES -- STATUTORY BASIS

ANNUAL CONTRIBUTION CONTRACT
FW -- 2028

	Year Ended
	03/31/99
Operating Income	\$ 251,391.50
Dwelling rental	1,887.00
Excess utilities	1,639.22
Interest on general fund investments	26,588.87
Other income	<u> </u>
Total Operating Income - Exhibit D	<u>281,506.59</u>
Operating Expenses	95,483.27
Administration	7,698.70
Tenant Expense	22,569.43
Utilities	104,135.20
Ordinary maintenance and operation	114,705.93
General expense	<u> </u>
Total Operating Expense - Exhibit D	<u>344,592.53</u>
Net Operating Income (Loss)	<u>(63,085.94)</u>
Other Credits	
Prior year adjustments - affecting residual receipts	23,599.04
Prior year adjustments - not affecting residual receipts	<u>62.46</u>
Total Other Credits	<u>23,661.50</u>
Other Charges	
Interest on notes and bonds payable	<u>104,629.39</u>
Total Other Charges	<u>104,629.39</u>
Net Loss - Exhibit C	<u>\$ (144,053.83)</u>

HOUSING AUTHORITY OF THE CITY OF JENNINGS

ANALYSIS OF SURPLUS – STATUTORY BASIS
TWELVE MONTHS ENDED MARCH 31, 1999ANNUAL CONTRIBUTION CONTRACT
FW – 2028Unreserved Surplus

Balance per prior audit at 03/31/98	\$	(3,622,933.57)
Prior audit adjustment recorded in subsequent year		(24,041.05)
Net loss for the year ended 03/31/99 - Exhibit B		(144,053.83)
(Provision for) reduction of Operating Reserve for year ended 03/31/99 - Exhibit D		2,345.09
Balance at 03/31/99		<u>(3,788,683.36)</u>

Reserved Surplus - Operating Reserve

Balance per prior audit at 03/31/98		130,578.36
Provision for (reduction of) Operating Reserve for the year ended 03/31/99 - Exhibit D		(2,345.09)
Balance at 03/31/99 - Exhibit F	\$	<u>128,233.27</u>

HOUSING AUTHORITY OF THE CITY OF JENNINGS

ANALYSIS OF SURPLUS – STATUTORY BASIS
TWELVE MONTHS ENDED MARCH 31, 1999ANNUAL CONTRIBUTION CONTRACT
FW – 2028Cumulative HUD Contributions

Balance per prior audit at 03/31/98	\$	6,704,407.92
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Operating subsidy for year ended 03/31/99		43,412.00
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Balance at 03/31/99		<u>6,747,819.92</u>
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Cumulative HUD Grants

Balance per prior audit at 03/31/98		2,378,966.17
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Balance at 03/31/99		<u>2,378,966.17</u>
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Total Surplus - Exhibit A	\$	<u><u>5,466,336.00</u></u>
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HOUSING AUTHORITY OF THE CITY OF JENNINGS

COMPUTATION OF RESIDUAL RECEIPTS AND ACCRUING ANNUAL CONTRIBUTIONS

ANNUAL CONTRIBUTION CONTRACT
FW — 2028

	<u>Year Ended</u>
	<u>03/31/99</u>
<u>Computation of Residual Receipts</u>	
<u>Operating Receipts</u>	
Operating Income - Exhibit B	\$ 281,506.59
HUD operating subsidy	43,412.00
Prior year adjustments - affecting residual receipts	23,599.04
Total Operating Receipts	<u>348,517.63</u>
<u>Operating Expenditures</u>	
Operating expenses - Exhibit B	344,592.53
Capital expenditures:	
Replacement of nonexpendable equipment	4,825.00
Property betterments and additions	1,445.19
Total Operating Expenditures	<u>350,862.72</u>
Residual receipts (deficit) per audit before provision for reserve	(2,345.09)
Audit adjustments (backed out)	<u> </u>
Residual receipts per PHA before provision for reserve	(2,345.09)
(Provision for) or reduction of operating reserve - Exhibit C	2,345.09
Residual receipts per PHA	<u>\$ 0.00</u>

HOUSING AUTHORITY OF THE CITY OF JENNINGS

COMPUTATION OF RESIDUAL RECEIPTS AND ACCRUING ANNUAL CONTRIBUTIONS

ANNUAL CONTRIBUTION CONTRACT
FW — 2028

	<u>Year Ended</u>
	<u>03/31/99</u>
<u>Computation of Accruing Annual Contributions</u>	
Fixed annual contribution	\$ 0.00
Total Annual Contribution - Exhibit C	\$ 0.00

HOUSING AUTHORITY OF THE CITY OF JENNINGS

ANALYSIS OF GENERAL FUND CASH BALANCE

ANNUAL CONTRIBUTION CONTRACT
FW — 2028Composition Before Adjustments

Net operating receipts retained:

Operating reserves - Exhibit C \$ 128,233.27

Deferred credits 134.08

Excess modernization funds - Exhibit E

128,367.35

Adjustments

Expenses/costs not paid:

Accounts payable 18,065.45

Accrued payments in lieu of taxes 5,998.44

General Fund Cash Available

152,431.24

General Fund Cash:

Invested (109,371.05)

Applied to deferred charges

(prepaid insurance, inventories, etc.)

(8,701.58)

General Fund Cash - Exhibit A

\$

34,358.61

HOUSING AUTHORITY OF THE CITY OF JENNINGS

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED MARCH 31, 1999

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>CDFA NO.</u>	<u>GRANT ID NO.</u>	<u>AWARD AMOUNT</u>	<u>PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Low-Income Housing				
Annual Contribution	14.850	FW- 2028	\$	\$ 0.00 1/
Operating Subsidy	14.850	FW- 2028	43,412.00	43,412.00
Major Program Total			43,412.00	43,412.00
Total HUD			\$ 43,412.00	\$ 43,412.00

1/ The Housing Authority of Jennings is indebted to the Department of Housing and Urban Development for \$ 1,529,490.21 at March 31, 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

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 Governmental Auditing Standards

Housing Authority of the
City of Jennings
Jennings, Louisiana

We have audited the financial statements of the Housing Authority of the City of Jennings, Louisiana as of and for the year ended March 31, 1999, and have issued our report thereon dated August 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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 Jennings, 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 *Governmental 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 Jennings, 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

August 27, 1999

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

MARCH 31, 1999

Prior Audit Findings and Questioned Cost

There were no prior audit findings.

Current Audit Findings

None.

Questioned
Cost