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**HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 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 7/19/00

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

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McELROY, QUIRK & BURCH

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City
of Lake Charles
Lake Charles, Louisiana 70601

Regional Inspector General for Audit
Department of Housing and Urban
Development
221 W Lancaster Street, P.O. Box 2905
Fort Worth, Texas 76113

We have audited the financial statements of the Housing Authority of the City of Lake Charles, Louisiana at and for the year ended September 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133, *Audits of State and Local Governments*. 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 financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity of the Housing Authority of the City of Lake Charles, Louisiana as of September 30, 1999, and the results of its operations, cash flows and changes in its fund equity 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 February 11, 2000, on our consideration of the Housing Authority of the City of Lake Charles, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data included in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of The Housing Authority of the City of Lake Charles, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

M. Elroy Smith & Ruch

Lake Charles, Louisiana
February 11, 2000

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

BALANCE SHEET
September 30, 1999

	<u>Annual</u>		
ASSETS	<u>FW-1132</u>	<u>FW-2074</u>	<u>FW-2228V</u>
Cash-schedule 2	\$ 432,327	\$ 115,413	\$ 76,088
Accounts receivable*	179,225	27,484	44,507
Investments - general fund:			
Restricted	418,917	-	-
Unrestricted	1,039,743	1,009,235	151,565
Deferred charges	96,888	13,576	4,813
Land, structures and equipment	<u>15,077,834</u>	<u>10,589</u>	<u>-</u>
	<u>\$ 17,244,934</u>	<u>\$ 1,176,297</u>	<u>\$ 276,973</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 189,761	\$ 574,924	\$ 2,136
Notes payable	-	-	-
Accrued liabilities	<u>230,560</u>	<u>34,534</u>	<u>6,294</u>
	<u>420,321</u>	<u>609,458</u>	<u>8,430</u>
Fund equity:			
Restricted	418,917	-	-
Unrestricted	<u>16,405,696</u>	<u>566,839</u>	<u>268,543</u>
	<u>16,824,613</u>	<u>566,839</u>	<u>268,543</u>
	<u>\$ 17,244,934</u>	<u>\$ 1,176,297</u>	<u>\$ 276,973</u>

* Tenant accounts receivable for FW-1132, \$4,493

<u>Contributions Contract</u>		
<u>Management Account</u>	<u>Drug Elimination</u>	<u>Totals (Memorandum Only)</u>
\$ 52,045	\$ -	\$ 675,873
100,151	17,029	368,396
-	-	418,917
89,431	-	2,289,974
5,246	-	120,523
<u>2,744,522</u>	<u>-</u>	<u>17,832,945</u>
<u>\$ 2,991,395</u>	<u>\$ 17,029</u>	<u>\$ 21,706,628</u>
\$ 41,973	\$ 17,029	\$ 825,823
114,186	-	114,186
34,791	-	306,179
<u>190,950</u>	<u>17,029</u>	<u>1,246,188</u>
-	-	418,917
<u>2,800,445</u>	<u>-</u>	<u>20,041,523</u>
<u>2,800,445</u>	<u>-</u>	<u>20,460,440</u>
<u>\$ 2,991,395</u>	<u>\$ 17,029</u>	<u>\$ 21,706,628</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF INCOME AND EXPENSES - PHA OWNED HOUSING
Year Ended September 30, 1999

Annual Contributions Contract FW-1132

Operating income:	
Contributions earned	\$ 1,306,807
Dwelling rental	1,291,164
Interest on general fund investments	86,941
Other income	<u>1,585</u>
	<u>2,686,497</u>
Operating expenses:	
Administration	548,796
Tenant services	207,194
Utilities	313,850
Ordinary maintenance and operation	928,648
Protective services	10,682
General expense	341,083
Non-routine maintenance	<u>1,452</u>
	<u>2,351,705</u>
Net operating income	<u>334,792</u>
Other charges:	
Depreciation	1,290,222
Prior year adjustments	2,283
Interest on notes and bonds payable	115,503
Loss from disposition of nonexpendable equipment	<u>71</u>
	<u>1,408,079</u>
Net (loss)	<u>\$ (1,073,287)</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF INCOME AND EXPENSES - HOUSING ASSISTANCE PAYMENTS PROGRAM
Year Ended September 30, 1999

Project LA 48-E004-001-008/011-013

Annual Contributions Contract FW-2074

Operating income:	
Contributions earned	\$ 3,418,359
Interest	22,529
Management fees	<u>27,296</u>
	<u>3,468,184</u>
Operating expenses:	
Administration	185,509
Tenant services	13,300
Utilities	4,507
Ordinary maintenance and operation	41,193
General	36,459
Housing assistance payments	<u>3,083,510</u>
	<u>3,364,478</u>
Net operating income	103,706
Other charges:	
Depreciation	<u>8,484</u>
Net income	<u>\$ 95,222</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF INCOME AND EXPENSES - MODERATE REHAB
Year Ended September 30, 1999

Project LA 48-K004-001/003

Annual Contributions Contract FW-2074 (MR)

Operating income:	
Contributions earned	\$ 355,541
Interest	<u>6,800</u>
	<u>362,341</u>
Operating expenses:	
Administration	27,113
Tenant services	1,776
Utilities	761
Ordinary maintenance and operation	5,572
General	5,382
Housing assistance payments	<u>320,217</u>
	<u>360,821</u>
Net income	<u>\$ 1,520</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF INCOME AND EXPENSES - VOUCHER PROGRAM
Year Ended September 30, 1999

Project LA 48-V004-001/004

Annual Contributions Contract FW-2228V

Operating income:	
Contributions earned	\$ 1,573,995
Interest	13,255
Management fees	<u>11,733</u>
	<u>1,598,983</u>
Operating expenses:	
Administration	78,677
Tenants services	5,734
Utilities	1,665
Ordinary maintenance and operation	16,496
General	16,385
Housing assistance payments	<u>1,437,443</u>
	<u>1,556,400</u>
Net income	<u>\$ 42,583</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF INCOME AND EXPENSES - MANAGEMENT ACCOUNT
Year Ended September 30, 1999

Project LA 48-0048-003

Annual Contributions Contract Management Account

Operating income:	
Dwelling rental	\$ 288,060
Office rental	81,541
Management fees	84,113
Interest	15,136
Other	<u>12,774</u>
	<u>481,624</u>
Operating expenses:	
Administration	30,404
Tenant services	24,489
Utilities	35,313
Ordinary maintenance and operation	234,100
General	<u>64,287</u>
	<u>388,593</u>
Net operating income	<u>93,031</u>
Other charges (credits):	
Depreciation	78,843
Loss from disposition of nonexpendable equipment	1,153
Casualty loss (gain)	<u>(3,350)</u>
	<u>76,646</u>
Net income	<u>\$ 16,385</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANASTATEMENT OF INCOME AND EXPENSES - MANAGEMENT ACCOUNT
Year Ended September 30, 1999Annual Contributions Contract - Drug Elimination Program

Operating income:	
Contributions earned	\$ <u>151,373</u>
Operating expenses:	
Administrative salaries	19,021
Protection	124,608
Employee benefits	3,763
Sundry	<u>3,981</u>
	<u>151,373</u>
Net income	<u>\$ -</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF INCOME AND EXPENSES - MANAGEMENT ACCOUNT
Year Ended September 30, 1999

Annual Contributions Contract - Gateway Educational Program

Operating income:	
Contributions earned	<u>\$ 23,000</u>
Operating expenses:	
Educational expense	18,469
Sundry	<u>4,531</u>
	<u>23,000</u>
Net income	<u>\$ -</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANASTATEMENT OF INCOME AND EXPENSES - MANAGEMENT ACCOUNT
Year Ended September 30, 1999Annual Contributions Contract - Shelter Plus Care Housing

Operating income:	
Contributions earned	\$ <u>97,520</u>
Operating expenses:	
Administrative	8,128
Housing assistance payments	89,372
Utilities	<u>20</u>
	<u>97,520</u>
Net income	<u>\$ -</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

ANALYSIS OF FUND EQUITY
Year Ended September 30, 1999

	<u>FW-1132</u>	<u>FW-2074</u>	<u>FW-2228V</u>	<u>Management Account</u>	<u>Totals (Memorandum Only)</u>
Balance September 30, 1998	\$ 22,503,492	\$ 629,478	\$ 243,921	\$ 3,215,940	\$ 26,592,831
Adjust fixed assets at September 30, 1998	(1,032,932)	(130,964)	(15,528)	(3,128)	(1,182,552)
Record accumulated depreciation at September 30, 1998	(16,681,768)	(23,754)	-	(428,752)	(17,134,274)
Adjust operating reserve and HUD accounts payable at September 30, 1998	-	(4,663)	(2,433)	-	(7,096)
Clear notes payable at September 30, 1998	11,418,692	-	-	-	11,418,692
Adjust replacement reserve and retained earnings at September 30, 1998	<u>298,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,605</u>
Adjusted balance at September 30, 1998	16,506,089	470,097	225,960	2,784,060	19,986,206
HUD grant funding	1,391,811	-	-	-	1,391,811
Net income (loss) for year ended September 30, 1999	<u>(1,073,287)</u>	<u>96,742</u>	<u>42,583</u>	<u>16,385</u>	<u>(917,577)</u>
Balance September 30, 1999	<u>\$ 16,824,613</u>	<u>\$ 566,839</u>	<u>\$ 268,543</u>	<u>\$ 2,800,445</u>	<u>\$ 20,460,440</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF CASH FLOWS
Year Ended September 30, 1999

	<u>FW-1132</u>	<u>FW-2074</u>	<u>FW-2228V</u>	<u>Management Account</u>	<u>Totals (Memorandum Only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	\$(1,073,287)	\$ 96,742	\$ 42,583	\$ 16,385	\$ (917,577)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	1,290,222	8,484	-	78,843	1,377,549
Casualty loss	-	-	-	3,350	3,350
Changes in assets and liabilities:					
(Decrease) in notes payable	-	-	-	(23,597)	(23,597)
(Increase) decrease in accounts receivable	(108,991)	393,891	(40,005)	(95,727)	149,168
(Increase) decrease in deferred charges	4,096	656	235	(196)	4,791
Increase (decrease) in accounts payable	(145,019)	113,704	(568,627)	(871)	(600,813)
Increase (decrease) in accrued expenses	<u>69,326</u>	<u>(393,630)</u>	<u>(125,598)</u>	<u>798</u>	<u>(449,104)</u>
Cash flows provided by (used in) operating activities	<u>36,347</u>	<u>219,847</u>	<u>(691,412)</u>	<u>(21,015)</u>	<u>(456,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
(Increase) decrease in investments	<u>(40,187)</u>	<u>(526,988)</u>	<u>155,519</u>	<u>108,765</u>	<u>(302,891)</u>

(continued on next page)

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF CASH FLOWS
Year Ended September 30, 1999

	<u>FW-1132</u>	<u>FW-2074</u>	<u>FW-2228V</u>	<u>Management Account</u>	<u>Totals (Memorandum Only)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES					
Payments for capital acquisitions	(1,167,582)	-	-	(165,002)	(1,332,584)
Dispositions of capital equipment	(31,122)	-	-	(1,499)	(32,621)
HUD grant funding	1,391,811	-	-	-	1,391,811
HUD grant reclassification	(125,076)	-	-	-	(125,076)
Prior year adjustments	-	(4,664)	(2,433)	-	(7,097)
Cash provided by (used in) capital and related financial activities	<u>68,031</u>	<u>(4,664)</u>	<u>(2,433)</u>	<u>(166,501)</u>	<u>(105,567)</u>
Net increase (decrease) in cash	64,191	(311,805)	(538,326)	(78,751)	(864,691)
Cash:					
Beginning of year	<u>368,136</u>	<u>427,218</u>	<u>614,414</u>	<u>130,796</u>	<u>1,540,564</u>
End of year	<u>\$ 432,327</u>	<u>\$ 115,413</u>	<u>\$ 76,088</u>	<u>\$ 52,045</u>	<u>\$ 675,873</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1999

1. Organization

The Housing Authority of the City of Lake Charles, Louisiana (the Authority) was incorporated April 25, 1940 under the authority of the Constitution and statutes of LSA:RS 40:381.

The Authority operates within the confines of the City of Lake Charles, Louisiana, under the direction of a five man Board of Commissioners duly appointed by the Mayor of the City of Lake Charles for staggered five year terms. It is a primary legal entity and not a component unit of the City of Lake Charles or any other governmental unit.

Each program operated by the Authority receives federal financial assistance from the U.S. Department of Housing and Urban Development (HUD), and is subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes

A brief description of the various programs is as follows:

- A. Housing Authority Owned Rental Housing - Approximately 835 units of low income public housing is owned by the Housing Authority of the City of Lake Charles, Louisiana, and the notes are held by the Federal Government. Low Income is defined by published entry in the Federal Register per SMSA areas. Tenants pay 30% of their adjusted income for such housing.
- B. Section 8 Public Owned Rental Housing - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. The tenants pay 30% of their adjusted income for such housing. The Housing Authority of the City of Lake Charles, Louisiana makes up the difference between the tenants' portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into five programs:

NOTES TO FINANCIAL STATEMENTS

- (1) Existing Housing
- (2) Moderate Rehab
- (3) Voucher
- (4) Recently Completed
- (5) Rental Rehab

- C. PHA Owned Rental Housing - PHA Owned Housing consists of approximately 123 units which the Housing Authority of the City of Lake Charles, Louisiana has acquired through the Federal Home Loan Bank Affordable Housing Program. The basic Section 8 rules apply. The qualifications are the same income limits published in the Federal Register for Low Income Public Housing tenants. The tenants pay 30% of their adjusted income for such housing.
- D. Shelter Plus Care Housing - This program provides for housing for homeless individuals and families with special disabilities. The basic Section 8 rules apply.
- E. Drug Elimination - This program provides security measures, drug investigations, drug prevention measures, and drug education for tenants within the housing projects.
- F. Gateway Educational Program - This program provides educational instruction to tenants to learn to read or improvement in reading skills.
- G. PHA Owned Rental Housing and Other Properties - This program consists of PHA owned housing units and other properties acquired through management fees and earnings. Fair rental values are established and charged for the housing units but low income guidelines do not apply.

2. Significant Accounting Policies

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.

Effective October 1, 1998, the Authority changed its basis of accounting from a modified accrual basis to generally accepted accounting principles. All funds were adjusted as of that date and forward to reflect generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS

The main changes resulting from the change to generally accepted accounting principles are as follows:

1. Reclassification of all accumulated fixed asset costs and write off as a charge against surplus of non-capital soft costs of \$1,036,587.
2. Record depreciation for prior years as a charge against surplus in the amount of \$17,134,274.
3. Record current year depreciation as a charge against current year earnings in the amount of \$1,377,549.
4. Record as a capital contribution the write off of notes, bonds and interest in the amount of \$12,100,075, the payment of which is guaranteed by HUD and is made direct by HUD to the holders of such instruments.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in (FASB) after November 30, 1989. The Housing Authority of the City of Lake Charles has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

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

Total columns on the 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 cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS

3. Cash and Investments

At September 30, 1999, the Authority had cash and cash equivalents (book balances) as follows:

Demand deposits	\$ 675,873
Daily cash accumulation fund	147,860
Certificates of deposit	2,152,148
Federal and state notes and bonds	<u>409,084</u>
	3,384,965
Bond premiums (discounts)	<u>(201)</u>
	<u>\$ 3,384,764</u>

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Authority had no cash equivalents at September 30, 1999.

The Authority's demand deposits and certificates of deposit as of the balance sheet date are required to be covered by FSLIC or FDIC insurance and pledged securities. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits at September 30, 1999 classified to give an indication of the level of risk assumed by the Authority are as follows:

September 30, 1999	<u>Demand Deposits</u>	<u>Daily Cash Accumulation Fund</u>	<u>Certificates of Deposit</u>
Carrying amount	<u>\$ 675,873</u>	<u>\$ 147,860</u>	<u>\$ 1,669,148</u>
Bank balances:			
a. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 1,028,947	\$ 147,860	\$ 1,669,148
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	-	-	-
c. Uncollateralized, including any securities held for the entity but not in the entity's name	<u>-</u>	<u>-</u>	<u>-</u>
Total bank balances	<u>\$ 1,028,947</u>	<u>\$ 147,860</u>	<u>\$ 1,669,148</u>

NOTES TO FINANCIAL STATEMENTS

Following are investments of the Authority at year end categorized to give an indication of the level of risk assumed by the Authority. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent, in the name of the Authority. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the name of the Authority. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent, but not in the name of the Authority. Market values represent current discounted values of certificates of deposit, federal debentures and treasury bills.

September 30, 1999	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of deposit	\$ 483,000	\$ -	\$ -	\$ 483,000	\$ 457,904
U.S. Treasury bills	100,000	-	-	100,000	101,141
Federal National Mortgage Association	109,084	-	-	109,084	108,770
Federal Home Loan Mortgage Association	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>195,752</u>
	<u>\$ 892,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,084</u>	<u>\$ 863,567</u>

4. Accounts Receivable

Accounts receivable balances are comprised as follows:

HUD	\$ 100,884
Intra-program	116,649
Accrued interest	18,764
Tenants	6,413
Miscellaneous	<u>125,686</u>
	<u>\$ 368,396</u>

5. Deferred Charges

Deferred charges are comprised of the following:

Prepaid insurance	\$ 108,254
Material and supplies	<u>12,269</u>
	<u>\$ 120,523</u>

NOTES TO FINANCIAL STATEMENTS

6. Land, Structures and Equipment

Property and equipment is accounted for under the accrual basis and is carried at cost less accumulated depreciation on the balance sheet. As stated previously under footnote 2, the Authority changed its basis of accounting from a modified accrual basis to generally accepted accounting principles effective October 1, 1998. This resulted in a reclassification of all accumulated fixed asset costs and write off as a charge against surplus of non-capital soft costs of \$1,036,587. In addition, prior years accumulated depreciation of \$17,134,274 was recorded as a charge against surplus.

The Authority's policy is to capitalize significant items of equipment, major renovations, buildings and real estate. Depreciation is calculated in accordance with PHA-GAAP guidelines as follows:

Original buildings	40 years
Leasehold improvements	10 years or life of lease
Furniture, equipment and machinery	5-10 years
Vehicles	3-5 years
Computers	3 years

Changes in fixed assets and accumulated depreciation during the current year are as follows:

	9-30-98			Reclassifications and	9-30-99
	Cost	Additions	Disposals	Adjustments	Cost
Land	\$ 860,302	\$ 10,000	\$ -	\$ (77,021)	\$ 793,281
Developmental costs	2,692,226	-	-	(2,692,226)	-
Buildings	32,110,085	1,322,584	-	(17,856,712)	15,575,957
Furniture, equipment and machinery	219,013	-	30,021	1,664,004	1,852,996
Vehicles	168,345	-	-	(168,345)	-
Leasehold improvements	-	-	-	18,093,713	18,093,713
	<u>\$ 36,049,971</u>	<u>\$ 1,332,584</u>	<u>\$ 30,021</u>	<u>\$ (1,036,587)</u>	36,315,947
Accumulated depreciation:					
Balance 9/30/98					-
Current year depreciation					1,377,549
Current year dispositions					(28,821)
Prior years depreciation					<u>17,134,274</u>
Balance 9/30/99					<u>18,483,002</u>
Net land, structures and equipment					<u>\$ 17,832,945</u>

NOTES TO FINANCIAL STATEMENTS

7. Accounts Payable

Accounts payable balances are as follows:

Intra-program	\$ 116,649
Contract retainages	58,311
HUD	494,451
Tenants' deposits	116,593
Other	<u>39,819</u>
	<u>\$ 825,823</u>

The contract retainages of \$58,311 above apply against ongoing construction and repair contracts.

8. Notes Payable

The Authority is liable to a financial institution for \$114,186 plus accrued interest at 7 1/2% for purchase of a thirty unit apartment complex. Principal and interest payments required on this note during the next five years are as follows:

1999	\$	33,131
2000		33,131
2001		33,131
2002		33,131
2003		33,131

9. Accrued Liabilities

The Authority is liable for accrued liabilities as follows:

Payment in lieu of property tax	\$ 121,017
Accrued vacations payable	116,864
Deferred revenue	42,441
Other	<u>25,857</u>
	<u>\$ 306,179</u>

NOTES TO FINANCIAL STATEMENTS

10. Fixed Liabilities

The Authority is liable on long-term notes and bonds as follows:

	<u>Notes/ Bonds</u>	<u>Accrued Interest</u>
Permanent notes - FFB	\$ 1,475,834	\$ 89,288
Permanent notes - HUD	4,830,012	3,831,360
Administrative notes - HUD	989,450	377,307
New HA bond	497,956	8,868
	<u>\$ 7,793,252</u>	<u>\$ 4,306,823</u>

HUD has guaranteed through an annual contribution contract, payment of the principal and interest on these obligations. Such payments are made by HUD directly to the bond and note holders without the funds passing through the Authority. In accordance with newly implemented generally accepted accounting principles (GAAP), these type obligations are no longer required to be reflected on the Authority's financial statements and are presented here for information only.

Principal and interest payments required to be made on these notes during the next five years are as follows:

	<u>FFB Notes</u>	<u>HA Bond</u>
1999	\$ 167,981	\$ 295,350
2000	167,981	65,550
2001	167,981	-
2002	167,981	-
2003	167,981	-
Thereafter	1,305,709	-

NOTES TO FINANCIAL STATEMENTS

11. Contingencies and Commitments

The Authority was contingently liable in the amount of \$44,031 for prior period rent overpayments. HUD reported that the Authority was alleged to have been giving the program's owners rent adjustment increases without written requests from the owners. The Authority was required to immediately cease this practice and comply fully with the requirements as per HUD Handbook 7420.3 Rev. 2, Chap. 3. The Development Division of the New Orleans office initiated the process of recapturing the funds as a result of the ineligible rent adjustment increases. The amount of questioned funds aggregated \$55,169 and as a consequence of the request by the New Orleans office, a law suit was filed by a property owner disputing the allegation that excessive rent was paid. This lawsuit was dismissed by the United States District Court by a memorandum ruling on April 9, 1991. The New Orleans office has subsequently reduced the questioned funds amount to \$44,031 and proposed several alternate options for payment. The property owner, while reserving the right to continue efforts to resolve the issue administratively or by litigation, has agreed to one of the options offered whereby the amount is to be repaid through reduced rental payments over the remaining life of the contract. As of the audit date, \$33,136 of this amount has been recovered.

12. Retirement Plan

Employees of the Authority are covered by the social security system. Additionally, employees are covered by a tax deferred retirement and savings program which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's accounts are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan the Authority contributes 8.5% of the employee's basic monthly salary to the plan with the provision that the employee is required to contribute a minimum of 6%. Employees become fully vested after five years participation in the plan. Contributions to the plan by the Authority amounted to approximately \$87,800 during the year.

NOTES TO FINANCIAL STATEMENTS

13. Management Agreement

The Authority entered into a management agreement with Chateau du Lac Limited Partnership on November 24, 1981 whereby the Authority will have the duty of maintaining, servicing, repairing, promoting, publicizing, operating, and managing an apartment complex owned by Chateau du Lac Limited Partnership. The agreement calls for a management fee, from occupancy date, of 4 1/2% of gross rental income. Management fee income for the year ended September 30, 1999 was \$84,113.

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
Year Ended September 30, 1999

	<u>CFDA Number</u>	<u>Grant Number</u>
Federal Assistance:		
Department of Housing and Urban Development:		
PHA Owned Housing (Notes 1 and 2)	14.850	FW-1132
Modernization LA 86-04 (LA 4-905):	14.852	FW-1132
1995 Comp Grant		
1996 Comp Grant		
1997 Comp Grant		
1998 Comp Grant		
PHA Leased Housing	14.156	FW-2074
PHA Voucher Program	14.177	FW-2228V
Shelter Plus Care	14.238	
1997 Drug Grant	14.238	
Gateway Educational Grant	14.238	

NOTES:

1. The Housing Authority of the City of Lake Charles, Louisiana is indebted to the Department of Housing and Urban Development for \$5,819,461 at September 30, 1999. Also, the Department of Housing and Urban Development has guaranteed through the Annual Contribution Contract the Housing Authority of the City of Lake Charles, Louisiana's bonded indebtedness. This bonded indebtedness was \$989,450 at September 30, 1999.
2. The Housing Authority of the City of Lake Charles, Louisiana is indebted to FFB for \$1,475,834 at September 30, 1999.

10-1-98 to 9-30-99 Grants		Cumulative Grants	
<u>Receipts</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>Expenditures</u>
\$ 1,306,807	\$ 2,351,705	\$ -	\$ -
82,995	33,059	1,568,931	1,568,931
178,346	123,605	1,299,197	1,299,197
918,745	960,286	1,039,911	1,082,297
211,724	211,779	211,724	211,779
3,773,899	3,725,299	-	-
1,573,995	1,556,400	-	-
97,520	97,520	232,928	232,928
134,344	151,373	134,344	151,373
23,000	23,000	23,000	23,000

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

ANALYSIS OF GENERAL FUND CASH BALANCE
Year Ended September 30, 1999

Composition Before Adjustments	Annual Contributions Contract			Management Account	Totals (Memorandum Only)
	FW-1132	FW-2074	FW-2228V		
Net operating receipts retained:					
Net operating reserves:					
PHA owned housing	\$ 1,425,332	\$ -	\$ -	\$ -	\$ 1,425,332
PHA leased housing	-	556,252	-	-	556,252
Voucher program	-	-	268,543	-	268,543
Management account	-	-	-	3,098,487	3,098,487
Security deposits	98,926	-	-	17,667	116,593
Excess (deficiency) of development and modernization funds	(42,389)	-	-	(2,928,379)	(2,970,768)
Provision for replacement reserve	<u>370,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,900</u>
	1,852,769	556,252	268,543	187,775	2,865,339
<u>Adjustments</u>					
Expenses/costs not paid:					
Accounts payable-HUD	-	494,451	(41,413)	-	453,038
Accounts payable-other	32,523	82,324	2,135	25,684	142,666
Accrued payments in lieu of taxes	94,782	-	-	26,235	121,017
Contract retentions	58,311	-	-	-	58,311
Accrued annual leave	86,271	12,239	4,108	7,179	109,797
Income not received:					
Accounts receivable-tenants	(4,493)	-	-	(1,920)	(6,413)
Accounts receivable-other	(120,003)	(1,852)	-	(97,852)	(219,707)
Accrued interest	<u>(12,287)</u>	<u>(5,190)</u>	<u>(907)</u>	<u>(379)</u>	<u>(18,763)</u>
General fund cash available	1,987,873	1,138,224	232,466	146,722	3,505,285
General fund cash:					
Invested	(1,458,660)	(1,009,235)	(151,565)	(89,431)	(2,708,891)
Prepaid expenses	(84,618)	(13,576)	(4,813)	(5,246)	(108,253)
Inventories-materials	<u>(12,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,268)</u>
General fund cash - Exhibit A	<u>\$ 432,327</u>	<u>\$ 115,413</u>	<u>\$ 76,088</u>	<u>\$ 52,045</u>	<u>\$ 675,873</u>

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

Board of Commissioners
Housing Authority of the City
of Lake Charles
Lake Charles, Louisiana

We have audited the financial statements of the Housing Authority of the City of Lake Charles as of and for the year ended September 30, 1999, and have issued our report thereon dated February 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Lake Charles' 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Lake Charles' 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.

Status of Prior Audit Findings

As reported in the prior audit, the U.S. Department of Housing and Urban Development reported that the Housing Authority was alleged to have been giving the program's owners rent adjustment increases without written requests from the owners. The Housing Authority was required to immediately cease this practice and comply fully with the requirements as per HUD Handbook 7420.3 Rev. 2, Chap. 3. The Development Division of the New Orleans office initiated the process of recapturing the funds as a result of the ineligible rent adjustment increases. The amount of questioned funds aggregated \$55,169 and as a consequence of the request by the New Orleans office, a law suit was filed by a property owner disputing the allegation that excessive rent was paid. This lawsuit was dismissed by the United States District Court by a memorandum ruling on April 9, 1991. The New Orleans office has subsequently reduced the questioned funds amount to \$44,031 and proposed several alternate options for payment. The property owner, while reserving the right to continue efforts to resolve the issue administratively or by litigation, has agreed to one of the options offered whereby the amount is to be repaid through reduced rental payments over the remaining life of the contract. As of the audit date, \$33,136 of this amount has been recovered.

Findings of This Audit

We identified no material weaknesses in internal control and no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the U.S. Department of Housing and Urban Development, management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Lake Charles, Louisiana
February 11, 2000

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

Board of Commissioners
Housing Authority of the City
of Lake Charles
Lake Charles, Louisiana

Compliance

We have audited the compliance of the Housing Authority of the City of Lake Charles, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1999. The Housing Authority of Lake Charles' major federal programs are identified in the schedule of expenditures of federal awards. 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 Lake Charles' management. Our responsibility is to express an opinion on the Housing Authority of Lake Charles' 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; the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) issued by the U.S. Department of Housing and Urban Development; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Lake Charles' 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 Lake Charles' compliance with those requirements.

In our opinion, the Housing Authority of Lake Charles, 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 September 30, 1999.

Internal Control Over Compliance

The management of the Housing Authority of Lake Charles is responsible for establishing and maintaining effective 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 Lake Charles' 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 U.S. Department of Housing and Urban Development, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Mc Elroy, Jewell + Burch

Lake Charles, Louisiana .

February 11, 2000

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 1999

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified
 Internal control over financial reporting:
 Material weakness identified? _____ Yes X No
 Reportable condition identified not considered
 to be material weakness? _____ Yes X None reported
 Noncompliance material to financial statements
 noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness identified? _____ Yes X No
 Reportable condition identified not considered
 to be material weakness? _____ Yes X None reported
 Type of auditor's report issued on compliance
 for major programs: Unqualified
 Any audit findings disclosed that are required
 to be reported in accordance with Circular
 A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850	PHA Owned Housing
14.852	Modernization LA 86-04 (LA 4-905)
14.156	PHA Leased Housing
14.177	PHA Voucher Program

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

Auditee qualified as low-risk auditee? _____ Yes X No

(continued on next page)

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 1999

(Continued)

SECTION I - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.