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

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 JUN 07 2000

**GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS REPORTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1999
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

*WILLIAM DANIEL MCCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION*

415 MAGNOLIA LANE
MANDEVILLE, LOUISIANA 70471

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EXHIBITS---GENERAL PURPOSE FINANCIAL STATEMENTS

- A COMBINED BALANCE SHEET AT SEPTEMBER 30, 1999, ALL FUNDS
- B COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS---ALL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 1999
- C COMBINED STATEMENT OF CASH FLOWS-ALL FUNDS
- D COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN RETAINED EARNINGS-BUDGET VS. ACTUAL

NOTES TO THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

SUPPLEMENTARY INFORMATION SCHEDULES---GAAP BASIS

- I SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
- II COMBINING BALANCE SHEET-ALL FUNDS
- III COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS-ALL FUNDS
- IV PHA'S STATEMENT AND CERTIFICATION OF ACTUAL COSTS PROJECTS LA48PO3670596 AND LA48DEP036196

SUPPLEMENTARY INFORMATION SCHEDULES---STATUTORY BASIS

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SCHEDULE OF ADJUSTING JOURNAL ENTRIES

SCHEDULE OF CURRENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION PLAN

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**INDEPENDENT AUDITOR'S REPORT
DISCLAIMER OF OPINION ON GENERAL PURPOSE
FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE
*OF EXPENDITURES OF FEDERAL AWARDS***

**BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF CITY OF MORGAN CITY
MORGAN CITY, LOUISIANA 70806**

I was engaged to audit the accompanying general purpose financial statements of the Housing Authority of the City of Morgan City (PHA) as of and for the year ended September 30, 1999, as listed in the table of contents. These general purpose financial information-statutory basis to below are the responsibility of the PHA's management.

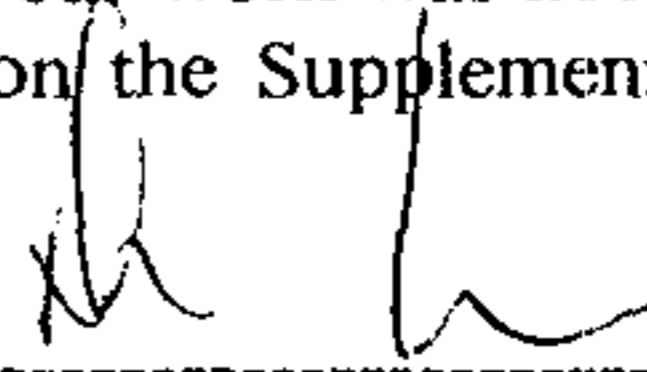
As described more fully in Schedule of Findings and Questioned Costs, I was unable to verify certain material account balances and documentation needed to properly conduct the audit was not available nor was I able to satisfy myself as to those financial activities by other auditing procedures.

Since I was unable to apply other auditing procedures to satisfy myself about the account balances and unavailable documentation, as discussed in the previous paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the general purpose financial statements referred to in the first paragraph.

The accompanying general purpose financial statements have been prepared assuming that the PHA will continue as a going concern. As discussed in Note K to the general purpose financial statements, the PHA had expenditures in excess of revenues during the fiscal year ended September 30, 1999 that caused the operating reserve account to be in a deficit condition. This condition raises substantial doubt about the PHA's ability to continue as a going concern. The general purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

I was engaged to audit the general purpose financial statements of the Housing Authority of the City of Morgan City. As described Note 1, the accompanying supplemental financial information-Statutory Basis was prepared in conformity with the accounting practices prescribed by the U.S. Department of Housing and Urban Development, which

is a comprehensive basis of accounting other than generally accepted accounting principles. As noted in the above paragraphs, the scope of our work was not sufficient to enable me to express, and I do not express, an opinion on the Supplemental Financial Information-Statutory Basis.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 7, 2000

Housing Authority of the City of Morgan City
COMBINED BALANCE SHEET -- ALL FUNDS
September 30, 1999

EXHIBIT A

ALL FUNDS

ASSETS

Current assets:

Cash and cash equivalents	57,800
Tenants rents receivable(net)	398
Accounts and notes receivables	94,170
Prepaid expenses and other assets	
Inventories	95,095
Interprogram due from	63,856

Total current assets 311,319

Fixed assets (net) 7,214,145

Total assets 7,525,464
=====

LIABILITIES AND FUND EQUITY

Current liabilities:

Accounts Payable and accrued liabilities	194,304
Deferred revenues	-
Current portion of long-term debt capital projects	-
Security deposits	32,489
Interprogram due to	63,856

Total current liabilities 290,649

Noncurrent liabilities:

Noncurrent liabilities-other	-
Noncurrent portion of long-term debt	-

Total liabilities 290,649

Fund equity:

Contributed capital (net)	7,303,810
Retained earnings	(68,995)

Total fund equity 7,234,815

Total liabilities and fund
equity 7,525,464
=====

see notes to financial statements

Housing Authority of the City of Morgan City
 COMBINING STATEMENT OF REVENUES, EXPENSE AND
 CHANGES IN RETAINED EARNINGS--ALL FUNDS
 For the year Ended September 30, 1999

EXHIBIT B

	ALL FUNDS
Operating revenues:	
Net tenant revenue	394,879
Tenant revenue-other	86,621
Interest income	816
Other income	
HUD PHA grants	1,227,624
Other revenue	41,588

Total operating revenues	1,751,528

Operating expenses:	
Adminstration	457,226
Tenant services	-
Utilities	329,483
Ordinary maintenance	233,492
General expense	346,642
Protective services	99,592
Non-routine maintenance	8,281
Housing assistance payments	416,222

Operating expenses before depreciation	1,890,938

Operating income/(loss) before depreciation	(139,410)
Depreciation expense	292,599
Net operating income/(loss) after depreciation	(432,009)

Retained earnings(operating reserve), 9-30-98	94,392
Add: HUD-REAC prior year GAAP adjustments	61,314
Audit AJE #1	(85,291)
Operating income/(loss) before depreciation	(139,410)

Retained earnings (operating reserve), 9-30-99	(68,995)

Net HUD contribution, 9-30-98	11,038,350
Current year addition and REAC adjustments	(3,825,870)
Audit AJE #1	85,291
Net HUD contribution, 9-30-99	7,297,771
Net other contribution, 9-30-99	6,039
Net contributions, 9-30-99	7,303,810

Total Equity, 9-30-99	7,234,815

see notes to financial statements

Housing Authority of the City of Morgan City
COMBINING STATEMENT OF CASH FLOWS -- ALL FUNDS
For the Year Ended September 30, 1999

EXHIBIT C
page 1 of 2

ALL FUNDS

Cash flows from operating activities:	
Cash received from tenants	481,500
Cash received from other income	41,588
Cash paid for goods and services	(1,584,539)
Cash paid to employees	(306,399)

Net cash provided by operating activities	(1,367,850)

Cash flows from noncapital financing activities:	
Operating grants and subsidies	1,227,624

Cash flows from capital and related financing activities:	
Proceeds from grants	406,470
Acquisition of capital assets	(406,470)
Proceeds from issuance of notes	
Acquisition of capital assets	

Net cash used for capital and related financing activities	-

Cash flows from investing activities:	
Interest on investments	816

see notes to financial statements

Housing Authority of the City of Morgan City
 COMBINING STATEMENT OF CASH FLOWS--ALL FLOWS
 For the Year Ended September 30, 1999

EXHIBIT C
 page 2 of 2

 Reconciliation of operating income to net cash provided by operating activities:

Adjustments to reconcile	
operating income to net cash	
Net HUD-REAC Adjustments	(2,276.88)
Depreciation	
(Increase) decrease in tenant	
rents receivable	3,056.18
(Increase) decrease due from US Dept of HUD	97,376.08
(Increase) decrease due in supplies inventory	
(Increase) decrease in prepaid insurance	(3,180.00)
(Increase) decrease in undistributed debits	
(Increase) decrease in accts receivable misc.	17,290.49
Increase (decrease) in tenant security deposits	2,005.00
Increase (decrease) in accounts	
payable and accrued liabilities	19569.69
Increase (decrease) in accounts payable HUD	
Increase (decrease) in accrued vacation pay	40,566.00
Increase (decrease) in deferred revenues	(35,720.00)
Increase (decrease) in a/p noncurrent	

Total adjustments	138,686.56

Change in cash and equivalents	(723.44)
Beginning Cash	58,523.44

Cash and cash equivalents end of year-Exhibit A	57,800.00
	=====

see notes to financial statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS--BUDGET VS. ACTUAL
GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 1999

REVENUES	LOW RENT		Favorable Variance	SPECIAL REVENUE		Favorable Variance
	Budget	Actual		Budget	Actual	
Local Sources:						
Dwelling Rental	409,170.00	401,797.73	(7,372.27)			
Interest Charges	800.00	816.11	16.11			
Receipts from the Sale of Equipment						
Other	106,621.00	121,289.57	14,668.57			
Federal Sources:						
Operating Subsidy	487,427.00	487,427.00	-			
Annual Contributions				460,187.00	467,630.00	7,443.00
Grants						
Total Revenues	1,004,018.00	1,011,330.41	7,312.41	460,187.00	467,630.00	7,443.00
EXPENDITURES						
Current:						
Administration	205,659.00	225,702.54	(20,043.54)	13,051.00	58,548.00	(45,497.00)
Utilities	308,260.00	329,483.48	(21,223.48)			
Ordinary Maintenance & Operations	220,446.00	233,492.26	(13,046.26)			
Tenant Services						
General Expenditures	284,220.00	346,642.00	(62,422.00)			
Facilities Acquisitions & Construction						
Housing Assistance Payments		8,281.10	(8,281.10)	404,297.00	416,222.00	(11,925.00)
Nonroutine Maintenance		36,687.20	(36,687.20)			
Prior Year Adjustments Affecting Residual Receipts						
Debt Service:						
Principal Retirement						
Interest & Bank Charges						
Total Expenditures	1,018,585.00	1,180,288.58	(161,703.58)	417,348.00	474,770.00	(57,422.00)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,567.00)	(168,958.17)	(154,391.17)	42,839.00	(7,140.00)	(49,979.00)
OTHER FINANCING SOURCES (USES)						
HUD REAC Adjustments					12,711.00	(12,711.00)
NET EXCESS (DEFICIENCY) OF REVENUES	(14,567.00)	(168,958.17)	154,391.17	42,839.00	(7,140.00)	(37,268.00)
RETAINED EARNINGS AT BEGINNING OF YEAR	89,192.00	89,192.00	-	5,200.00	5,200.00	-
RETAINED EARNINGS AT END OF YEAR	74,625.00	(79,766.17)	154,391.17	48,039.00	10,771.00	(37,268.00)

see notes to financial statements

C 3E 11

THE HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
MORGAN CITY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS

Housing Authorities are chartered as a public corporation under the laws (LSA-RS 40:391) of the State of Louisiana, for the purpose of providing safe and sanitary dwelling accommodations for the residents of Morgan City, Louisiana. This creation was contingent upon the local governing body of the city or parish. The PHA is governed by a five member Board of Commissioners. The members, appointed by the Mayor, serve a four year staggered term.

Under the United States Housing Act of 1937, as amended, the US Department of HUD has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the PHA for the purpose of assisting the PHA in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the PHA for the purpose of maintaining this low rent character.

(1) Financial Reporting Entity

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

(2) Change in Accounting Principle

For the year ended September 30, 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 HUD.

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.

REAC suggests that accumulated depreciation be charged to HUD Capital Contributions, not Retained Earnings. REAC directs that soft costs from development and modernization be deleted from fixed assets and charged to HUD Capital Contributions.

REAC also directs PHA's to deleted outstanding debt owed to HUD, annual contributions and debt amortization funds receivable due from HUD, and close tem to HUD Capital Contributions.

The amount of the September 30, 1999 operating reserve becomes the beginning retained earnings. These is no cumulative effect on beginning retained earnings resulted from the accounting method change.

(3) Budgetary Data

The PHA is required by its HUD Annual Contributions Contract 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 PHA 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.

(5) Tenant Receivables

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

(6) Compensated Absences

Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

NOTE B – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is entity's policy for deposits to be secured by collateral valued at market or par, which 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 September 30, 1999. The categories are described as follows:

Category 1 -- Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 -- Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 -- Uncollateralized, uninsured and unregistered, but with securities held by the bank, its agent, pledged to the PHA, but not in the PHA's name.

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

Total	Category		
	1	2	3
<u>Bank Balances</u>			
\$57,800	57,800		

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 with 10 days of being notified by the PHA that the fiscal agent has failed to pay deposited funds upon demand.

NOTE C -- ACTIVITIES OF THE PHA

At September 30, 1999, the PHA was managing low-rent under FW-1403, vouchers program under FW-2292V, and certificates program under FW-2153.

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 -- 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	20 Years
Buildings	20 Years
Building improvements	10 Years
Nondwelling structures	20 Years
Equipment	3 to 7 Years

LOW RENT PROGRAM

	9-30-99	Current	9-30-99	
	Cost	Depreciation	Accumulated	Net
Buildings	7,078,468	268,724	977,206	6,101,262
Furn,Mach,&Equip-Admin	158,516	22,314	123,828	34,688
Leasehold Improvements	1			1
	<u>7,236,985</u>	<u>291,038</u>	<u>1,101,034</u>	<u>6,135,951</u>

COMPREHENSIVE GRANT PROGRAM

	9-30-99	Current	9-30-99	
	Cost	Depreciation	Accumulated	Net
Land				
Buildings	765,664	4,700	4,700	760,964
Furn,Equip,&Mach-Dwell	65,239	630	630	64,609
Leasehold improvements	252,817	1,726	1,726	251,091
	<u>8,450,256</u>	<u>7,056</u>	<u>7,056</u>	<u>1,076,664</u>

CERTIFICATE PROGRAM

	9-30-99	Current	9-30-99	
	Cost	Depreciation	Accumulated	Net
			Depreciation	
Furn, equip, mach-Admin	18,552	2,061	17,021	2,061
	-----	-----	-----	-----
	18,552	2,061	17,021	2,061
	=====	=====	=====	=====

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

NOTE F -- LONG-TERM DEBT

As noted in Note A, long-term debt owed to HUD has been closed to HUD Capital Contributions. For the year ended September 30, 1999, Housing Agency bonds outstanding of 0.00 were closed to capital contributions.

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 employees contribute 5% and the entity contributes 8% 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.

The entity's total payroll in fiscal year ended September 30, 1999 was \$306,399. The entity's contributions were calculated using the base salary amount of \$306,399. Contributions to plan were \$15,319.95 and \$24,511.92 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.

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 -- GOING CONCERN

As shown in the accompanying general purpose financial statements the PHA had expenditures in excess of revenues in the Low Rent Program for fiscal year ending September 30, 1999 in the amount of \$168,957.37 which caused the PHA's total liabilities to exceed total assets by \$79,765.66. The PHA is now preparing an Improvement Plan with the goal of bringing this deficit to a surplus condition as of September 30, 2000. It is unclear at this time if this Improvement Plan will achieve the desired goal. The financial statements do not include any adjustments that might be necessary should the PHA be unable to continue as a going concern.

NOTE L -- SUBSEQUENT EVENTS

In February 2000, the PHA drew down \$54,000.00 from the 1999 CGP program LOCCS without documentation to substantiate the drawdown. It then loaned the monies to the Low Rent Program with the reasoning of using the unfunded Mandatory PFS adjustments for 1998 and 1999 collateral. It appears that the drawdown as well as the loaning of monies between programs was improper. We understand that this is being corrected as proper CGP expenditures are being paid by the Low Rent Program. We consider this a serious matter.

Housing Authority of the City of Morgan City
 City of Morgan City, Louisiana
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 1999

SCHEDULE I

FEDERAL AGENCY:	CFDA NO.	Federal Award Expenditures
U S Department of Housing and Urban Development Direct Programs:		
Low Income Housing:		
Operating Subsidy		487,427
Leased		
Development		
Total Low Income Housing	14.850	487,427
Section 8 Cluster:		
Vouchers	14.855	103,252
Certificates	14.857	364,378
Moderate Rehabilitation	14.856	-
New Construction	14.182	
Substantial Rehabilitation	14.182	
Total Section 8 Cluster		467,630
Comprehensive Grants	14.859	579,445
CIAP	14.852	-
Public Housing Drug Elimination Program:		
PHDEP		99,592
Youth Sports		
Total PHDEP	14.854	
Shelter + Care	14.238	
HOPE	14.858	
HOME	14.239	
Child Care Food Program (USDA)	10.558	
 TOTAL FEDERAL EXPENDITURES		 1,634,094 =====

NOTE: This schedule of expenditures of federal awards is prepared on the governmental GAAP enterprise method of accounting.

see notes to financial statements

	Low Rent	PHDEP	Certificates	Vouchers	CGP	Total
ASSETS:						
CURRENT ASSETS						
Cash-unrestricted	11,557	-	13,754			25,311
Cash-restricted-modernization and development						-
Cash-other restricted	32,489					32,489
Cash-tenant security deposits						-
Total Cash	44,046	-	13,754	-	0.00	57,800
Accounts and notes receivable:						-
Accounts receivable-PHA projects		31,819	4,606	2,837	30,031	69,293
Accounts receivable-HUD other projects	20,225					20,225
Accounts receivable-other governments						-
Accounts receivable-miscellaneous	4,652					4,652
Accounts receivable-tenant dwelling rents	398					398
Allowance for doubtful accounts-dwelling rents						-
Allowance for doubtful accounts-other						-
Notes and mortgages receivable-current						-
Fraud recovery						-
Allowance for doubtful accounts-fraud						-
Accrued interest receivable						-
Total Receivable, net of allowances for doubtful accounts	25,275	31,819	4,606	2,837	30,031	94,568
Current investments:						-
Investments-unrestricted						-
Investments-restricted						-
Prepaid Expenses and Other Assets	95,095					95,095
Inventories	-					-
Interprogram Due From	55,394		8,462			63,856
Amounts to be provided						-
TOTAL CURRENT ASSETS	219,810	31,819	26,822	2,837	30,031	311,319
NONCURRENT ASSETS:						
Fixed Assets:						
Land						-
Buildings	7,078,468				765,664	7,844,132
Furniture, Equipment & Machinery-Dwellings					65,239	65,239
Furniture, Equipment & Machinery-Administration	158,516		18,552			177,068
Leasehold Improvements	1				252,816	252,817
Accumulated Depreciation	(1,101,034)		(17,021)		(7,056)	(1,125,111)
Total Fixed Assets, Net of Accumulated Depreciation	6,135,951		1,531	-	1,076,663	7,214,145
Notes and mortgages receivable-noncurrent						-
Notes and mortgages receivable-past due						-
Other assets						-
Undistributed debits						-
Investments in joint ventures						-
TOTAL NONCURRENT ASSETS	6,135,951	-	1,531	-	1,076,663	7,214,145
TOTAL ASSETS	6,355,761	31,819	28,353	2,837	1,106,694	7,525,464

see notes to financial statements

	Low Rent	PHDEP	Certificates	Vouchers	CGP	Total
LIABILITIES AND EQUITY:						
LIABILITIES:						
CURRENT LIABILITIES						
Bank overdraft	1,223					1,223
Accounts payable <=90 days	119,897					119,897
Accounts payable >=90 days						-
Accrued wages payroll taxes payable	5,609					5,609
Accrued compensated absences	40,566					40,566
Accrued contingency liability						-
Accrued interest payable						-
Accounts payable-HUD PHA programs						-
Accounts payable-PHA Projects						-
Accounts payable-other governments						-
Tenant security deposits	32,489					32,489
Deferred revenues						-
Current portion of L-T debt-capital projects						-
Current portion of L-T debt-operating borrowings						-
Other current liabilities					27,009	27,009
Accrued liabilities-other						-
Inter-program-due to	8,462	31,819	20,419	-	3,156	63,856
TOTAL CURRENT LIABILITIES	208,246	31,819	20,419	-	30,165	290,649
NONCURRENT LIABILITIES						
Long-term debt, net of current-capital projects						-
Long-term debt, net of current-operating borrowings						-
Noncurrent liabilities-other						-
TOTAL NONCURRENT LIABILITIES	-	-	-	-	-	-
TOTAL LIABILITIES	208,246	31,819	20,419	-	30,165	290,649
EQUITY						
Investment in general fixed assets						-
Contributed Capital:						-
Project notes (HUD)						-
Net HUD PHA contributions	6,221,242				1,076,529	7,297,771
Other HUD contributions						-
Other contributions	6,039					6,039
Total contributed capital						-
Reserved fund balance:						-
Reserved for operating activities						-
Reserved for capital activities						-
Total reserved fund balance						-
Undesignated fund balance/retained earnings	(79,766)		7,934	2,837	-	(68,995)
TOTAL EQUITY	6,147,515	-	7,934	2,837	1,076,529	7,234,815
TOTAL LIABILITIES AND EQUITY	6,355,761	31,819	28,353	2,837	1,106,694	7,525,464

see notes to financial statements

Housing Authority of the City of Morgan City
 COMBINING STATEMENT OF REVENUES, EXPENSE AND
 CHANGE IN RETAINED EARNINGS-ALL FUNDS
 For the year ended September 30, 1999

SCHEDULE III

	Low Rent	PHDEP	Certificates	Vouchers	CGP	Total
REVENUE						
Net tenant revenue	394,879					394,879
Tenant revenue -other	86,621					86,621
Total tenant revenue	481,500					481,500
HUD PHA grants	487,427	99,592	364,378	103,252	172,975	1,227,624
Other government grants						-
Investment income-unrestricted	816					816
Mortgage interest income						-
Fraud recovery						-
Other revenue	41,588					41,588
Gain or loss of the sale of fixed assets						-
Investment income-restricted						-
TOTAL REVENUE	1,011,331	99,592	364,378	103,252	172,975	1,751,528
EXPENSES:						
Administrative:						
Administrative salaries	153,434		25,598	7,824		186,856
Auditing fees	16,082		3,039	961		20,082
Outside management fees						-
Compensated absences	3,878					3,878
Employee benefit contributions-administrative						-
Other operating-administrative	52,309		16,180	4,946	172,975	246,410
Tenant services:						
Tenant services-salaries						-
Relocation costs						-
Employee benefit contributions-tenant services						-
Tenant services-other						-
Utilities:						
Water	60,115					60,115
Electricity	174,186					174,186
Gas	57,526					57,526
Fuel						-
Labor						-
Employee benefit contributions-utilities						-
Other utilities expense	37,656					37,656
Ordinary maintenance and operations:						
Ordinary maintenance and operations-labor	119,543					119,543
Ordinary maintenance and operations-materials and other	62,831					62,831
Ordinary maintenance and operations-contract costs	51,118					51,118
Employee benefit contributions-ordinary maintenance						-
Protective services:						
Protective services-labor						-
Protective services-other contract costs		99,592				99,592
Protective services-other						-
Employee benefit contributions-protective services						-

see notes to financial statements

Housing Authority of the City of Morgan City
 COMBINING STATEMENT OF REVENUES, EXPENSE AND
 CHANGES IN RETAINED EARNINGS-ALL FUNDS
 For the year ended September 30, 1999

SCHEDULE III

	Low Rent	PHDEP	Certificates	Vouchers	CGP	Total
General expenses:						
Insurance premiums	195,835					195,835
Other general expenses	129,866					129,866
Payments in lieu of taxes	-					-
Bad debt-tenant rents	20,941					20,941
Bad debt-mortgages	-					-
Bad debt-other	-					-
Housing assistance payments			325,027	91,195		416,222
Extraordinary maintenance	8,281					8,281
OPERATING EXPENSES BEFORE DEPRECIATION	1,143,601	99,592	369,844	104,926	172,975	1,890,938
NET OPERATING INCOME BEFORE DEPRECIATION	(132,270)	-	(5,466)	(1,674)	-	(139,410)
Depreciation expense	290,538	-	1,578	483	-	292,599
Net operating income (loss) after depreciation	(422,808)	-	(7,044)	(2,157)	-	(432,009)
Retained earnings (operating reserve) 9-30-98	89,192		3,851	1,349		94,392
Add: HUD-REAC prior year GAAP adjustments	48,603		9,549	3,162		61,314
Audit AJE #1	(85,290.66)					(85,291)
Operating Income before depreciation	(132,270)		(5,466)	(1,674)		(139,410)
Retained earnings (operating reserve) 9-30-99	(79,766)		7,934	2,837		(68,995)
Net HUD contributions, 9-30-98	9,947,049		11,127	3,645	1,076,529	11,038,350
Current year adjustments and REAC adjustments	(3,811,098)		(11,127)	(3,645)		(3,825,870)
Audit AJE #1	85,290.66					85,291
Net HUD contributions, 9-30-99	6,221,242		-	-	1,076,529	7,297,771
Net other contribution, 9-30-99	6,039					6,039
Net contributions, 9-30-99	6,227,281		-	-	1,076,529	7,303,810
TOTAL EQUITY, 9-30-99	6,147,515	-	7,934	2,837	1,076,529	7,234,815

see notes to financial statements

Housing Authority of the City of Morgan City
 Morgan City, Louisiana 70381

SCHEDULE IV

PHA's Statement and Certification of Actual Costs

COMPLETED PROJECTS LA48PO3670596 AND LA48DEP030196

Annual Contributions Contract FW-1403

For the year ended September 30, 1999

1. The actual costs of the project are as follows:

	PROJECT LA48PO3670596	PROJECT LA48DEP030196
Funds Approved	484,849.00	165,000.00
Funds Expended	484,849.00	165,000.00
Excess of Funds Approved	0.00	0.00

FUNDS ADVANCED

HUD	484,849.00	165,000.00
Funds Expended	484,849.00	165,000.00
Excess of Funds Advanced	0.00	0.00

1. The distribution of costs by project as shown on the Final Statements of Cost dated 7/30/99 and 3/31/99 accompanying the Actual Cost Certificates submitted to HUD for approval is in agreement with the PHA's records.

2. All costs have been paid and all related liabilities have been discharged through payment.

see notes to financial statements

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

**BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
MORGAN CITY, LOUISIANA 70806**

I have audited the financial statements of the Housing Authority of the City of Morgan City (PHA), as of and for the year ended September 30, 1999, and have issued my report thereon dated April 7, 2000. I conducted my 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 PHA's financial statements are free of material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 99-1, 99-2, and 99-4.

Internal Control Over Financial Reporting

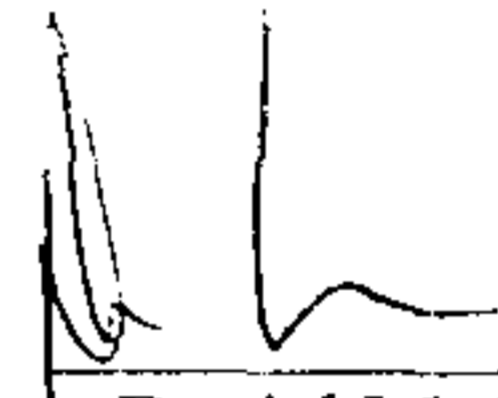
In planning and performing my audit, I considered the PHA's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operating that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the PHA's ability to record,

process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1, 99-2, and 99-4.

A material weakness is a condition in which the design or cooperation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the 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. My consideration of the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 99-1, 99-2, and 99-4 to be material weaknesses.

This report is intended for the information of the audit committee, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.

April 7, 2000



William Daniel McCaskill, CPA
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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 MORGAN CITY
MORGAN CITY, LOUISIANA 70806**

Compliance

I have audited the compliance of the Housing Authority of the City of Morgan City (PHA) 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 PHA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the PHA's management. My responsibility is to express an opinion on the PHA's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards: the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I 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 PHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the PHA's compliance with those requirements.

As described in items 99-1a, 99-2a, and 99-4a in the accompanying schedule of findings and questioned costs, the PHA did not comply with requirements regarding Reporting, Cash Management, Reporting, and Allowable Costs—Cost Principles that are applicable

to its Low Income Housing, Section 8 Program, Comprehensive Grants, and PHDEP. Compliance with such requirements is necessary, in my opinion, for the PHA to comply with requirements applicable to these programs.

In my opinion, except for the noncompliance described in preceding paragraph, the PHA 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.

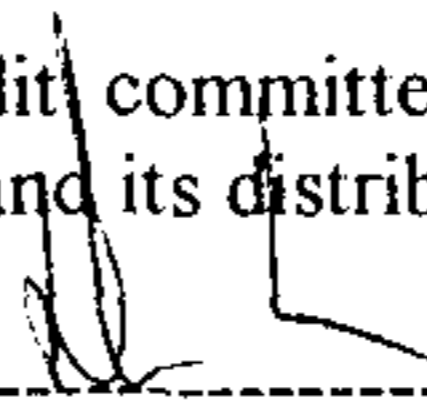
Internal Control Over Compliance

The management of the PHA 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 my audit, I considered the PHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matter involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the PHA's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1a, 99-2a, and 99-4a.

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.* My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 99-1a, 99-2a,, and 99-4a to be material weaknesses.

This report is intended for the information of the audit committee, management, and HUD. However, this report is a matter of public record and its distribution is not limited.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 7, 2000

THE HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
MORGAN CITY, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The following is a list of prior audit findings that have been corrected:

Finding 98-3a

There was no rent reasonableness for the Section 8 programs.

This finding is cleared.

Finding 99-5a

No one was keeping subsidiary ledgers for modernization and PHDEP programs.

Since the architect is keeping adequate records for these programs that balance within a material amount to the general ledger, we consider this finding cleared.

The following prior audit findings were not corrected or partially corrected:

Findings 98-1 & 98-1a

There was no physical inventory balanced to the general ledger.

This is repeated as findings 99-3 and 99-3a.

Findings 98-2 and 98-2a

The PHA overran it's operating budget.

This is repeated as findings 99-1 and 99-1a.

Finding 98-3a

The Administrative Plan was outdated.

This is repeated as finding 99-3a.

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Schedule of Adjusting Journal Entries

For the year ended September 30, 1999

Account Number	Description	Debit	Credit
	AJE #1 Regulatory		
2820.00	Operating Reserve-Low Rent	79,765.66	
2810.00	Unreserved Surplus-Low Rent		79,765.66
	To reflect deficit in operating reserve balance 9/30/98	89,191.71	
	annual deficit 9/30/99	(168,957.37)	

	resulting deficit	(79,765.66)	
	GAAP		
	Retained Earnings-Low Rent	85,290.66	
	Net HUD PHA Contributions-Low Rent		85,290.66
	Retained Earnings per FASS	5,525.00	
	Retained Earnings per above	(79,765.66)	

	AJE amount	(85,290.66)	
	AJE #2 GAAP		
	Sundry-CGP	172,975.00	
	Fixed Asset-CGP		172,975.00
	To write off soft costs		

Finding Number 99-3

This is intentionally left blank.

Finding Number 99-4

Statement of Conditions--We were unable to verify certain material account balances. Examples are as follows:

	Low Rent	Certificates	Vouchers
<u>Operating Reserve @ 9-30-99</u>			
Per HUD Documents	0	180	505
Per FASS	5,525	7,934	2,837

Annual Deficit FYE 9-30-99

Per HUD Documents	(168,957)	(4,435)	(1,355)
Per FASS	(132,270)	(5,466)	(1,674)

Additionally, since the fee accountant makes it a practice to not close out the general ledger until after the audit is published, we were unable to satisfy ourselves of the correctness of either sets of numbers using the general ledger.

Criteria--The general ledger, the HUD Year End Documents, and the FASS internet submittal should all agree.

Effect--We issued a disclaimer of opinion on these financials.

PHA Response--Converting from the HUD Regulatory (OCBOA) accounting to GAAP Enterprise and electronically submitting these financials has been a difficult transition.

Finding 99-2a

1. Name of Program--Entity Wide--Low Rent, Certificates, Vouchers, CGP, and PHDEP programs
Identification Number--
CFDA Title and Number--14.850, 14.855, 14.857, 14.859, and 14.854
Federal Award Number & Year--1999
Name of Federal Agency--HUD
Name of Pass Through Entity--None
2. Criteria--Per State law, the audit is due within 6 months of the end of the PHA's fiscal year.
3. Condition--The audit is not being completed within 6 months of the PHA's fiscal year.
4. Amount of questioned costs and how they were computed--
NONE
5. This is an entity wide finding.
6. Effect--The PHA is in violation of State law.
7. Recommendations to prevent future occurrences of the finding include closing the financial records on a timely basis and providing the audit materials to the auditor on a timely basis.
8. PHA officials agree with the finding.

THE HOUSING AUTHORITY OF MORGAN CITY
MORGAN CITY, LOUISIANA

CORRECTIVE ACTION PLAN

Our corrective action plan is as follows:

Finding 99-1 and 99-1a

Contact Person Responsible for Action--Wendell Bogan

Anticipated Completion Date--9-30-2000

Corrective Action Planned--The PHA is in the process of completing an Improvement Plan which will address 1) getting the PHA solvent as of 9-30-2000, 2) achieving a break even for fiscal year 9-30-2001, and 3) setting long term goals for future financial operations.

Finding 99-2 and 99-2a

Contact Person Responsible for Action--Wendell Bogan

Anticipated Completion Date--11-15-2000

Corrective Action Planned--We will engage a CPA firm to perform the audit for fiscal year 9-30-2000 before the end of the fiscal year. We will see that the fee accountant completes the close out timely. We will deliver the audit materials to the auditor on a timely basis and see that the auditor completes the audit to comply with State law.

Finding 99-3a

Contact Person Responsible for Action--Wendell Bogan

Anticipated Completion Date--7-31-2000

Corrective Action Planned--We will update the Administrative Plan.

Finding 99-4 & 99-4a

Contact Person Responsible for Action--Wendell Bogan

Anticipated Completion Date--9-30-2000

Corrective Action Planned--We will ensure that the fee accountant closes the fiscal year timely and that the HUD Year End Documents and FASS internet submission are in agreement.