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

REPORT ON EXAMINATION OF
 FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Year Ended September 30, 1997

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 State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-13-98

FREELBY, OGDEN & BUNCH
 A PROFESSIONAL CORPORATION
 CERTIFIED PUBLIC ACCOUNTANTS
 LAKE CHARLES, LOUISIANA 70601

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

TABLE OF CONTENTS

	Schedule/ Section	Page
INDEPENDENT AUDITOR'S REPORT		1-1
GENERAL PURPOSE FINANCIAL STATEMENTS		
Balance Sheet	A	1
Statement of Income and Expenses - PMS Owned Housing	B(1)	4
Statement of Income and Expenses - Housing Assistance Programs	B(2)	5
Statement of Income and Expenses - Moderate Rehab	B(3)	6
Statement of Income and Expenses - Variable Program	B(4)	7
Statement of Income and Expenses - Management Account	B(5)	8
Analysis of Surplus	C	9-12
Statement of Cash Flows	D	13
Notes to Financial Statements		14-22
SUPPLEMENTARY DATA		
Schedule of Federal Financial Assistance	1	23
Analysis of General Fund Cash Balance for year ended September 30, 1997	2	24
INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		25-27
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		28-29
Schedule of Findings and Corrected Costs		30-31

MCELROY, QUISK & BUSCH

A PROFESSIONAL CORPORATION
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City
of Lake Charles
Lake Charles, Louisiana 70602

National Inspector General for Audit
Department of Housing and Urban
Development
221 N Lamar Street, P.O. Box 2485
Fort Worth, Texas 76113

We have audited the financial statements of the Housing Authority of the City of Lake Charles, Louisiana, AC and for the year ended September 30, 1987, 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 GAO 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 surplus of the Housing Authority of the City of Lake Charles, Louisiana as of September 30, 1987, and the results of its operations, cash flows and changes in its surplus for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 14, 1988, 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 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 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Lake Charles, Louisiana
February 10, 1999

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

**BALANCE SHEET
September 30, 1977**

ACCOUNT	Annual Contributions Received				
	FW-1112	FW-1274	FW-2187Y	Management Account	Fundraise Donation Fund
Cash-Bankable	\$ 248,218	\$ 129,854	\$ 160,418	\$ 87,778	\$ 845,448
Accounts receivable*	40,804	8,818	3,148	1,322	31,771
Investments - general fund	1,375,642	287,543	183,784	291,488	2,848,888
Debt Amortization Fund	878,838	-	-	-	878,838
Deferred charges	88,812	24,947	5,468	7,811	212,878
land, structures and equipment	12,261,478	116,561	18,227	2,292,478	31,128,818
Total assets	\$ 18,893,400	\$ 563,783	\$ 267,947	\$ 3,482,477	\$ 37,694,462
LIABILITIES AND EQUITY					
Accounts payable	\$ 210,428	\$ 180,948	\$ 120,987	\$ 28,898	\$ 541,261
Notes payable	888,480	-	-	188,888	1,167,368
Accrued liabilities	4,878,488	13,707	8,818	87,512	8,887,515
Fund liabilities	2,288,782	-	-	-	2,288,782
Total LIABILITIES	8,266,178	194,655	209,805	265,298	13,881,497
Surplus - General Fund	10,627,222	369,128	58,142	3,217,179	23,812,965
Total liabilities and surplus	\$ 18,893,400	\$ 563,783	\$ 267,947	\$ 3,482,477	\$ 37,694,462

* Based on annual contributions for FW-1112, 400,812

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

STATEMENT OF INCOME AND EXPENSES - FEA OWNED HOUSING
Year Ended September 30, 1987

General Contributions Contract 88-0102

Operating Income

Dwelling rental	\$ 3,201,100
Income utilities	<u>41,738</u>
Total rental income	3,273,681
Interest on general fund investments	88,800
Other income	<u>3,325</u>
Total operating income	<u>3,345,806</u>

Operating Expenses

Administration	409,181
Tenant services	48,482
Utilities	514,549
Ordinary maintenance and operation	499,399
Protective services	18,018
General expenses	614,188
Non-routine maintenance	<u>615,000</u>
Total operating expenses	<u>3,248,298</u>
Net operating (Loss)	<u>(102,492)</u>

Other Charges (Credits)

Interest on notes and bonds payable	141,213
Loss from disposition of nonexpendable equipment	<u>17,323</u>
Total other charges	<u>158,536</u>
Net (Loss) - Exhibit C(1)	<u>\$ (47,956)</u>

HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANASTATEMENT OF INCOME AND EXPENSES - HOUSING ASSISTANCE PAYMENTS PROGRAM
Year Ended September 30, 1987PROJECT NO. 48-8324-001-001/011-001GENERAL CONSTRUCTION CONTRACT FY-1984Operating Income

Interest	\$	6,467
Management fees		<u>42,426</u>
Total operating income		<u>48,893</u>

Operating Expenses

Administration		129,617
Travel services		9,750
Utilities		6,828
Ordinary maintenance and operation		33,643
General		14,814
Housing assistance payments		<u>3,122,339</u>
Total operating expenses		<u>3,317,081</u>
net loss - exhibit C(1)		<u>\$ (2,328,188)</u>

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

STATEMENT OF INCOME AND EXPENSES - FISCAL YEAR
Year Ended September 30, 1977

PROJECT LA 48-0028-001/002

Annual Contract/LEASE CONTRACT #8-0034-001

Operating Income

Interest	<u>\$ 5,873</u>
----------	-----------------

Operating Expenses

Administration	18,187
Ordinary maintenance and operation	8,833
General	10,188
HOUSING assistance payments	<u>143,041</u>
TOTAL operating expenses	<u>180,249</u>

Net (loss) - EXHIBIT C(1)	<u>\$ 134,376</u>
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HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

STATEMENT OF INCOME AND EXPENSES - VOUCHER PROGRAM
Year Ended September 30, 1997

Project 88-48-0025-001/004

Annual Contributions Contract 88-0025

Operating Income

Interest	\$ 7,740
Management fees	<u>13,270</u>
Total operating income	<u>21,010</u>

Operating Expenses

Administration	83,128
Ordinary maintenance and operation	18,568
General	30,277
Outstanding assistance payments	<u>1,104,000</u>
Total operating expenses	<u>1,256,073</u>
Net (loss) - EXHIBIT C11)	<u>\$ (11,279,817)</u>

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

STATEMENT OF INCOME AND EXPENSES - MANAGEMENT ACCOUNT
Year Ended September 30, 1997

Project LA 48-CR48-203

Special Contributions Contract Management Account

Operating Income

Building rental	\$ 400,007
Office rental	10,000
Management Fees	80,000
Interest	10,000
Other	<u>10,000</u>
total operating income	<u>\$ 490,007</u>

Operating Expenses

Administration	10,000
Utilities	74,766
Ordinary maintenance and operations	210,000
General	<u>50,000</u>
Total operating expenses	<u>344,766</u>
Net Income - Exhibit C11	<u>\$ 145,241</u>

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

ANALYSIS OF FUNDS
Year Ended September 30, 1987

Unexpended Balance	General Contributions Contract			Management Account	Totals (Encumbrance Bal.)	
	FY-1984	FY-1985	FY-1986			
Balance per audit September 30, 1986	\$128,881,109	\$187,841,484	\$18,858,084	\$	14,762,000	\$335,580,677
Net Income (Loss) for 1987 ended September 30, 1987:						
RHS owned housing - Exhibit B11	(3,858,474)	-	-	-	-	(3,858,474)
Housing Assistance Payment Program - Exhibit B11	-	(1,318,381)	-	-	-	(1,318,381)
Midstream Rehab-Exhibit B11	-	(378,851)	-	-	-	(378,851)
Voucher Program-Exhibit B11	-	-	(1,378,817)	-	-	(1,378,817)
Management Account - Exhibit B15	-	-	-	192,448	172,318	
(Provision for) reduction of operating reserves for year ended September 30, 1987:						
RHS owned housing Housing Encumbrance Payment Program	28,288	-	-	-	-	28,288
Midstream Rehab	-	(84,778)	-	-	-	(84,778)
Voucher Program	-	(1,318)	-	-	-	(1,318)
Housing System	-	-	121,921	-	-	121,921
Management Account - Exhibit B15	-	-	-	192,761	192,761	
Net cash project amount 91 September 30, 1986 per HUD	-	1,184,380	84,798	-	-	1,269,178

(continued on next page)

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

STATEMENT OF SURPLUS
 Year Ended September 30, 1997

	Annual Contributions Contract			Management Account	Totals Enclosed On/Of
	FR-2192	FR-2024	FR-21282		
Reserved Surplus					
Provision for reduction of project account- unfunded for year ended September 30, 1997:					
Housing Assistance					
Payment Program	-	(1,083,487)	-	-	(1,083,487)
Maintenance Deficit	-	174,113	-	-	(174,113)
Voucher Program	-	-	80,178	-	80,178
Balance September 30, 1997	<u>(127,812,488)</u>	<u>(31,089,718)</u>	<u>(3,187,342)</u>	<u>33,887</u>	<u>(161,955,661)</u>
Reserved Surplus Replacement Reserve					
FRS Capital Housing					
Balance September 30, 1996	1,804,881	-	-	-	1,804,881
Provision for reduction of operating reserves for year ended September 30, 1997	<u>118,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,263</u>
Balance September 30, 1997	<u>1,686,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,686,618</u>
Reserved Surplus Replacement Reserve					
Balance September 30, 1996	334,713	-	-	-	334,713
Provision for replacement reserves for year ended September 30, 1997	<u>583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583</u>
Balance September 30, 1997	<u>335,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,296</u>

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

ANALYSIS OF FUNDS
Year Ended September 30, 1997

	Annual Contributions Outlook			Management Amount	Totals (Includes Debit)
	FD-1121	FD-1175	FD-2100		
FHA Limited Housing Housing Assistance Payments Program, and Moderate Rehab					
Balance September 30, 1996	-	219,704	180,380	2,354,268	2,754,352
Provision for operating expenses for year ended September 30, 1997	-	48,504	21,800	86,788	71,173
Balance September 30, 1997	-	171,200	158,580	2,267,480	2,083,179
Moderate Rehab and Housing Assistance Payments Program - Request account-continued					
Balance September 30, 1996	-	8,313,448	1,087,800	-	9,399,248
Adjust project account by September 30, 1996 per HUD	-	(1,308,880)	(84,790)	-	(1,393,670)
Provision for project expenses for year ended September 30, 1997	-	1,168,398	(80,320)	-	1,088,078
Balance September 30, 1997	-	6,836,268	922,690	-	7,758,958
Cumulative HUD Contributions					
Balance September 30, 1996	44,340,480	28,094,797	7,979,180	80,448	80,504,885
Annual contributions per ended September 30, 1997:					
FHA Limited Housing Housing Assistance Payments Program	428,031	-	-	-	428,031
Voucher Program	-	1,807,818	-	-	1,807,818
	-	-	1,518,814	-	1,518,814

(CONTINUED ON NEXT PAGE)

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

ANALYSIS OF SURPLUS
 Year Ended September 30, 1997

Description of Contributions	General Contributions Contract			Management Account	Totals (Summation Only)
	FR-6153	FR-2079	FR-2285		
Adjustments to annual contributions for FHA rented housing for year ended September 30, 1997	11,040	-	-	-	(4,840)
Class AFD grant funding to cumulative as September 30, 1997	426,276	-	-	-	426,276
Adjust project account as of September 30, 1994 per HUD	-	(27,814)	-	-	127,814
Operating subsidies year ended September 30, 1997 - FHA rented housing	874,102	-	-	-	874,102
Balance September 30, 1997	44,247,791	42,811,514	8,328,714	80,828	95,468,847
Cumulative Reserves					
Balance September 30, 1996	123,427	-	-	-	123,427
Provision for operations reserves	-	-	-	-	-
Balance September 30, 1997	123,427	-	-	-	123,427
TOTAL SURPLUS - EXHIBIT A	44,371,218	42,811,514	8,328,714	80,828	95,592,274

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

STATEMENT OF CASH FLOW
Year Ended September 30, 1997

	FR-1112	FR-1211a	FR-1211b,c	Management Accounts	Totals (Management and other)
CASH FLOW FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 1,000,000	\$12,878,204	\$11,278,837	\$ 100,000	\$ 14,257,041
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Change in assets and liabilities:					
(Decrease) in notes payable	-	-	-	128,000	(128,000)
(Increase) decrease in accounts receivable	(12,647)	(1,940)	(172)	6,437	(14,322)
Decrease in deferred charges	25,821	2,820	516	4,428	34,605
(Increase) in debt amortization	(1,444)	-	-	-	(1,444)
Decrease (increase) in accounts payable	(7,308)	(112,864)	(128,506)	(1,000)	(249,678)
Increase (decrease) in accrued expenses	(1,417)	12,127	1888	54,866	65,382
CASH FLOW FROM FINANCING ACTIVITIES	(119,880)	17,122	(7,486)	(288,731)	(348,975)
CASH FLOW FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES					
Payments for capital expenditures	(875,480)	(18,830)	(8,800)	(12,451)	(915,561)
Expenditures of capital equipment	(57,326)	-	-	-	(57,326)
NET annual contributions	428,973	3,808,247	3,315,534	-	7,552,754
NET grant funding	828,278	-	-	-	828,278
NET operating subsidies	874,208	-	-	-	874,208
Payments for fixed liabilities	(128,829)	-	-	-	(128,829)
Payments for interest on fixed liabilities	(242,210)	-	-	-	(242,210)
Provision for replacement reserve	382	-	-	-	382
NET INCREASE (Decrease) in cash	(24,451)	(54,810)	342,898	(70,261)	1,091,776
CASH RESERVE OF YEAR	144,421	879,261	808,881	128,829	1,961,392
CASH END OF YEAR	\$ 119,970	\$ 824,451	\$ 466,983	\$ 158,568	\$ 1,479,972

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

NOTE TO FINANCIAL STATEMENTS

September 30, 1997

1. Organization

The Housing Authority of the City of Lake Charles, Louisiana (the Authority) was incorporated April 28, 1948 under the authority of the Constitution and Statutes of LA. RS 48:381.

The Authority operates 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.

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.

A brief description of the various programs is as follows:

- a. Housing Authority Owned Rental Housing - Low Income Public Housing is owned by the Housing Authority of the City of Lake Charles, Louisiana, and the rents are held by the Federal Government. Low Income is defined by published entry in the Federal Register per 88HA 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 homes to low income families. The rents are set by the Federal Government and published in the Federal Register. 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 a subsidy to the homeowners. Section 8 has evolved into five programs:

NOTES TO FINANCIAL STATEMENTS

- (1) Renting Housing
- (2) Moderate Rent
- (3) Voucher
- (4) Seasonally Completed
- (5) Rental Subsidy

C. **FHA Owned Rental Housing** - FHA owned housing consists of units 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 10% of their adjusted income for each housing.

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.

All funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as per current laws. Grant receipts are considered "measurable" when collected and are recognized as income at that time. Revenues susceptible to accrual include grants and settlements.

No depreciation is reflected in the statement of revenues, expenses and changes in fund balances. Equipment is written off and charged to expense when it is determined to be unusable.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 31, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in

NOTES TO FINANCIAL STATEMENTS

IFRS) after November 30, 1999. 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 HAAH.

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 "unaudited" 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.

1. Cash and Investments

At September 30, 1997, the Authority had cash and cash equivalents (book balances) as follows:

Demand deposits	\$	809,883
Daily cash accumulation fund		84,783
Certificates of deposit		1,210,500
Federal and state notes and bonds		<u>788,381</u>
		2,893,547
Good purchase		<u>2,226</u>
		<u>\$ 3,118,353</u>

NOTES TO FINANCIAL STATEMENTS

The Authority's demand deposits and certificates of deposit as of the balance sheet date are required to be covered by FDIC or FDIC insurance and pledged securities. Under state law, these deposits (or the remaining 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 as September 30, 1987 classified to give an indication of the level of risk assumed by the Authority are as follows:

September 30, 1987	Demand	Daily Cash	Certificates
	Deposits	Accumulation Fund	of Deposits
Carrying amount	\$ 202,382	\$ 21,781	\$ 1,118,268
Bank balances:			
a. Insured or collateralized with securities held by the entity or its agent in the entity's name	\$ 243,449	\$ 21,781	\$ 1,118,569
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	-	-	-
Total bank balances	\$ 243,449	\$ 21,781	\$ 1,118,569

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 1997	Category			Carrying Amount	Market Value
	1	2	3		
CERTIFICATES OF DEPOSIT	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 24,940
U.S. Treasury bills	180,000	-	-	180,000	149,181
Federal National Mortgage Association	200,000	-	-	200,000	178,167
Federal Home Loan Mortgage Association	115,000	-	-	115,000	111,340
Tennessee Valley Authority Power bonds	25,000	-	-	25,000	25,073
	<u>\$ 625,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,000</u>	<u>\$ 589,701</u>

4. Accounts Receivable

Accounts receivable balances are comprised as follows:

Intra-program	\$ 18,407
Accrued interest	17,078
Dividends	10,497
Miscellaneous	<u>42,187</u>
	<u>\$ 88,179</u>

5. Debt Amortization Fund

The balance in this account of \$470,000 reflects the anticipated contribution by RRE to cover annual payments of principal and interest on the debt service.

6. Deferred Charges

Deferred charges are comprised of the following:

Prepaid insurance	\$ 180,000
Material and supplies	<u>21,500</u>
	<u>\$ 201,500</u>

NOTES TO FINANCIAL STATEMENTS

7. Land, Structures and Equipment

Property and equipment is accounted for under the modified accrual basis and is carried at cost on the balance sheet. Under the modified accrual basis no depreciation is reflected in the statement of revenues, expenses and changes in surplus. Equipment is written off and charged to expense when it is determined to be unusable.

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

	9-30-98				9-30-99
	<u>Cost</u>	Additions	Disposals		<u>Cost</u>
Land	\$ 808,382	\$ -	\$ -		\$ 808,382
Developmental costs	2,892,220	-	-		2,892,220
Buildings and equipment	28,878,371	487,382	28,438		28,898,304
Furniture	168,840	48,448	1,547		215,741
Vehicles	<u>168,148</u>	<u>-</u>	<u>-</u>		<u>168,148</u>
	<u>\$ 31,085,961</u>	<u>\$ 534,830</u>	<u>\$ 29,985</u>		<u>\$ 31,791,496</u>

8. Accounts Payable

Accounts payable balances are as follows:

Inter-program	\$ 28,807
Contract retainages	150,340
SWD	400,018
Tenants' deposits	88,220
Other	<u>25,801</u>
	<u>\$ 793,286</u>

The contract retainages of \$150,340 above apply against ongoing construction and repair contracts.

9. Notes Payable

The Authority is liable to SWD for administrative notes of \$989,450 and accrued interest thereon of \$377,807. The Authority is not required to make payment on this obligation.

NOTES TO FINANCIAL STATEMENTS

The Authority is also liable to a financial institution for \$159,688 plus accrued interest at 7 1/8% for purchase of a thirty unit apartment complex. Principal and interest payments required on this note during the next five years are as follows:

1997	\$ 33,131
1998	33,131
1999	33,131
2000	33,131
2001	33,131

20. Accrued Liabilities

The Authority is liable for accrued liabilities as follows:

Accrued interest:	
HSE administrative notes	\$ 379,187
HSE permanent notes	3,831,349
Edis service fund	17,328
JFE notes	<u>32,484</u>
	4,300,348
Dywanic in lieu of property tax	132,371
Accrued vacations payable	95,196
Other	<u>3,225</u>
	<u>\$ 4,661,340</u>

21. Fixed Liabilities

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

Permanent notes - JFE	\$ 2,484,149
Permanent notes - HSE	4,839,812
New EA bond	<u>391,620</u>
	<u>\$ 7,715,581</u>

HSE has guaranteed through an annual contribution contract the bonded indebtedness to JFE. The Authority is not required to make payment on the HSE note of \$4,839,812.

NOTES TO FINANCIAL STATEMENTS

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

	<u>FDG Notes</u>	<u>SA Bond</u>
1997	\$ 147,981	\$ 299,180
1998	147,981	299,180
1999	147,981	299,180
2000	147,981	29,500
2001	147,981	-
Thereafter	3,441,471	-

11. Contingencies and Commitments

The Authority was contingently liable in the amount of \$44,831 for prior period rent overpayments. MM reported that the authority was alleged to have been giving the program's owners rent adjustments increases without written requests from the owners. The authority was required to immediately cease this practice and comply fully with the requirements as per MM handbook 7420.3 Rev. 3, Chap. 3. The Development Division of the New Orleans office initiated the process of resecuring the funds as a result of the ineligible rent adjustments increases. The amount of questioned funds aggregated \$25,200 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 \$44,831 and proposed several alternate options for payment. The property owner, while reserving the right to continue efforts to receive 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, \$22,470 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.

NOTES TO FINANCIAL STATEMENTS

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 return earned on investments of those contributions.

Under the plan the Authority contributes 8.0% of the employee's basic monthly salary to the plan with the provision that the employee is required to contribute a minimum of 4%. Employees become fully vested after five years participation in the plan. Contributions to the plan by the Authority amounted to approximately \$82,800 during the year.

14. Management Agreement

The Authority entered into a management agreement with Chateau Du Lac Limited Partnership on November 30, 1982 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 1 1/2% of gross rental income. Management fee income for the year ended September 30, 1987 was \$82,680.

2012-16 Am 8-22-17		Cumulative	
Items		Items	
Revenue	Expenditures	Revenue	Expenditures
\$ 2,824,828	\$ 2,240,210	\$ -	\$ -
-	-	-	-
148,325	250,000	1,483,104	1,643,184
164,355	568,208	414,080	618,094
128,000	221,000	168,315	179,038
-	-	-	-
3,437,608	3,789,318	-	-
3,328,814	3,380,655	-	-
10,794	10,663	64,328	64,328

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

ANALYSIS OF GENERAL FUND CASH BALANCE
Year Ended September 30, 1997

Description Include Adjustments	General Contributions Contract				Totals (Memorandum Only)
	96-1111	96-1004	96-1107	Management Budget	
Net operating receipts revenues:					
Net operating revenues:					
FHA rented housing:					
FHA rented housing	\$ 277,021	\$ -	\$ -	\$ -	\$ 277,021
FHA leased housing	-	167,714	-	-	167,714
Yearly program	-	-	206,268	-	206,268
Management account	-	-	-	2,081,878	2,081,878
Security deposits	72,127	-	-	21,380	93,507
HOUSING DEVELOPMENT OF development and modernization funds	18,124	-	-	12,790,170	11,808,344
Provision for replacement reserve	220,222	-	-	-	220,222
	<u>3,248,254</u>	<u>167,714</u>	<u>206,268</u>	<u>2,071,858</u>	<u>3,218,424</u>
Adjustments:					
Expenses/credits not paid:					
Accounts payable-HH	-	171,252	318,718	-	490,010
Accounts payable-other	8,480	20,187	3,788	24,240	56,705
Accrued payments in lieu of taxes	78,048	-	-	41,728	119,776
CHICAGO DEBITORS	254,424	-	-	708	255,132
Accrued annual leave	78,168	20,478	3,782	8,287	106,715
Income not received:					
Accounts receivable- tenant	(12,823)	-	-	-	(12,823)
Accounts receivable- other	28,121	11,723	-	-	39,844
Accrued interest	(12,728)	(1,272)	(282)	(1,242)	(15,524)
General fund cash available	3,421,024	827,168	825,872	184,778	3,968,842
General fund cash:					
Invested	(1,275,181)	(287,843)	(195,784)	(101,480)	(1,860,388)
Prepaid expenses	(74,421)	(24,427)	(5,248)	(7,811)	(101,907)
Inventory-materials	(11,121)	-	-	-	(11,121)
General fund cash - Schedule A	<u>3,058,301</u>	<u>514,898</u>	<u>614,840</u>	<u>77,487</u>	<u>3,965,526</u>

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FOR DISTRICT OF LOUISIANA

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, 1997, and have issued our report thereon dated February 15, 1998. 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.

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 these 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 also 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 accounts 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 7420.2 Rev. 1, 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 \$30,109 and as a consequence of the request by the New Orleans office, a law suit was filed by a property owner disputing the allegations 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, \$21,872 of this amount has been recovered.

Louisiana Revised Statute 13:1225 requires that financial institutions secure deposits with the posting as collateral of a like amount of their own investments. The Housing Authority of the City of Lake Charles, Louisiana investments in one financial institution were under collateralized. This deficiency has been corrected and all deposits are now adequately secured.

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. However, the U.S. Department of Housing and Urban Development (HUD) made a Management Review examination of the Housing Authority of the City of Lake Charles, Louisiana operations on June 2-9, 1991 and issued their report of findings dated July 15, 1991. The report pointed out some areas where the Housing Authority needed to improve or correct certain operating procedures. All of the findings of HUD related to administrative areas and none to financial areas. Management has addressed all of the issues raised in the examination and responded thereto, and has taken correction actions as they considered necessary.

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.

A. Gray, President & Board

Lake Charles, Louisiana
February 14, 1999

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH ONE 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, 1987. 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 one circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These 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, 1997.

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-122.

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 law, 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.



Lake Charles, Louisiana
February 18, 1998

BONDING AUTHORITY OF THE CITY OF LAKE CHARLES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 1997

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
 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 309(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.804	PEA Canal Bonding
14.804	Modernization LA 86-04 (LA 4-004)
14.188	PEA Leased Bonding
14.177	PEA Voucher Program

Dollar threshold used to distinguish
 between Type A and Type B programs: \$,000,000
 Auditors qualified as low-risk auditors? _____ Yes X No

(continued on next page)

HOUSING AUTHORITY OF THE CITY OF LACK CHARLES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 1997

(Continued)

SECTION I - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL GRANT FINDINGS AND QUESTIONED COSTS

No matters were reported.