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

**GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS REPORTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1998
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 21 1999

WILLIAM DANIEL MCCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

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

BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
MORGAN CITY, LOUISIANA 70381

I have audited 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, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the PHA's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of The City of Morgan City as of September 30, 1998, and the results of its operations and changes in its surplus for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated March 5, 1999 on my consideration of the PHA's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts and grants.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the PHA taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements and any other included supplementary information taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

March 5, 1999

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET AS OF SEPTEMBER 30, 1998

ASSETS AND OTHER DEBITS	*****GOVERNMENTAL FUNDS*****				*****ACCOUNT GROUPS*****				Total (Memorandum Only)
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Fiduciary		General Fixed Assets	General Long Term Obligations	
					Agency Funds	General Assets			
Assets:									
Cash and Cash Equivalents	17,947.55	46,858.35	2,258.78	0.00	30,484.00	0.00	0.00	0.00	97,548.68
Receivables	55,902.08	5,830.16	197,991.43	68,348.92	0.00	0.00	0.00	0.00	328,072.59
Interfund Receivables	77,811.33	7,000.00	0.00	0.00	0.00	0.00	0.00	0.00	84,811.33
Prepaid Insurance	91,915.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	91,915.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land, Structures & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	16,000,401.70	0.00	16,000,401.70
Other Debits:									
Amount Available in Debt Service Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200,250.21	200,250.21
Amount to be Provided for Retirement of General Long Term Obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,089,331.24	2,089,331.24
TOTAL ASSETS AND OTHER DEBITS	\$243,575.96	\$59,688.51	\$200,250.21	\$68,348.92	\$30,484.00	\$68,348.92	\$16,000,401.70	\$2,289,581.45	\$18,892,330.75
LIABILITIES, EQUITY AND OTHER CREDITS	=====								
Liabilities:									
Bank Overdraft	36,766.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36,766.46
Accounts Payable	107,159.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	107,159.31
Interfund Payables	7,000.00	9,462.41	0.00	68,348.92	0.00	0.00	0.00	0.00	84,811.33
Deposits Due Others	0.00	0.00	0.00	0.00	30,484.00	0.00	0.00	0.00	30,484.00
Deferred Revenues	0.00	35,720.00	0.00	0.00	0.00	0.00	0.00	0.00	35,720.00
Compensated Absences Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36,687.20	36,687.20
Notes & Bonds Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,252,894.25	2,252,894.25
Total Liabilities	\$150,925.77	\$45,182.41	\$0.00	\$68,348.92	\$30,484.00	\$68,348.92	\$0.00	\$2,289,581.45	2,584,522.55
Equity & Other Credits									
Investment in General Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	16,000,401.70	0.00	16,000,401.70
Fund Balances:									
Reserved for Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserved for Debt Payment	0.00	0.00	200,250.21	0.00	0.00	0.00	0.00	0.00	200,250.21
Unreserved & Undesignated	92,650.19	14,506.10	0.00	0.00	0.00	0.00	0.00	0.00	107,156.29
Total Equity & Other Credits	\$92,650.19	\$14,506.10	\$200,250.21	\$0.00	\$0.00	\$0.00	\$16,000,401.70	\$0.00	\$16,307,808.20
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$243,575.96	\$59,688.51	\$200,250.21	\$68,348.92	\$30,484.00	\$68,348.92	\$16,000,401.70	\$2,289,581.45	\$18,892,330.75

see notes to financial statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1998

REVENUES	General		Special		Debt		Capital		Total
	Fund	Revenue	Fund	Revenue	Service	Projects	Fund	(Memorandum Only)	
Local Sources:									
Dwelling Rental	514,561.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	514,561.78
Interest Charges	2.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.91
Receipts from the Sale of Equipment									
Other	43,293.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43,293.64
Federal Sources:									
Operating Subsidy	581,706.00	416,619.16							998,325.16
Annual Contributions		0.00	0.00	0.00	197,991.43	0.00	0.00	0.00	197,991.43
Grants		0.00				623,846.63			623,846.63
Total Revenues	1,139,564.33	416,619.16	416,619.16	0.00	197,991.43	623,846.63	0.00	0.00	2,378,021.55
EXPENDITURES									
Current:									
Administration	211,274.04	46,509.77			0.00	0.00	0.00	0.00	257,783.81
Utilities	353,719.12	0.00			0.00	0.00	0.00	0.00	353,719.12
Ordinary Maintenance & Operations	229,246.58	0.00			0.00	0.00	0.00	0.00	229,246.58
Protective Services	0.00	0.00			0.00	0.00	0.00	0.00	0.00
General Expenditures	303,445.33	0.03			0.00	0.00	0.00	0.00	303,445.36
Nonroutine Maintenance	30,118.37	0.00			0.00	0.00	0.00	0.00	30,118.37
Housing Assistance Payments		364,909.08			0.00	0.00	0.00	0.00	364,909.08
Facilities Acquisition & Construction	9,474.88	0.00			0.00	586,880.34			596,355.22
Debt Service:									
Principal Retirement					122,499.86				122,499.86
Interest & Bank Charges					75,781.01				75,781.01
Total Expenditures	1,137,278.32	416,518.88	416,518.88	0.00	198,280.87	586,880.34	0.00	0.00	2,333,858.41
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,286.01	5,200.28	5,200.28	0.00	(289.44)	36,966.29	0.00	0.00	44,163.14
OTHER FINANCING SOURCES (USES)									
Operating Transfers In		0.00							0.00
Operating Transfers Out		0.00							0.00
Total Other Financing Sources (Uses)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXP. AND OTHER USES	2,286.01	5,200.28	5,200.28	0.00	(289.44)	36,966.29	0.00	0.00	44,163.14
FUND BALANCES AT BEGINNING OF YEAR	86,905.70	0.00	0.00	0.00	2,548.22	(105,315.21)	0.00	0.00	(15,861.29)
FUND BALANCES AT END OF YEAR	89,191.71	5,200.28	5,200.28	0.00	2,258.78	(68,348.92)	0.00	0.00	28,301.85

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET VS. ACTUAL
GENERAL FUND AND SPECIAL REVENUE FUND FOR THE YEAR ENDED SEPTEMBER 30, 1998

	*****GENERAL FUND*****			*****SPECIAL REVENUE FUND*****		
	Budget	Actual	Favorable Variance	Budget	Actual	Favorable Variance
REVENUES						
Local Sources:						
Dwelling Rental	431,020.00	514,561.78	83,541.78	0.00	0.00	0.00
Interest Charges	720.00	2.91	(717.09)	0.00	0.00	0.00
Receipts from the Sale of Equipment						
Other	0.00	43,293.64	43,293.64	0.00	0.00	0.00
Federal Sources:						
Operating Subsidy	581,706.00	581,706.00	0.00	410,789.00	416,619.16	5,830.16
Annual Contributions						
Grants						
Total Revenues	1,013,446.00	1,139,564.33	126,118.33	410,789.00	416,619.16	5,830.16
EXPENDITURES						
Current:						
Administration	192,150.00	211,274.04	(19,124.04)	51,330.97	46,509.77	4,821.20
Utilities	311,440.00	353,719.12	(42,279.12)	0.00	0.00	0.00
Ordinary Maintenance & Operations	198,050.00	229,246.58	(31,196.58)	0.00	0.00	0.00
Protective Services	0.00	0.00	0.00	0.00	0.00	0.00
General Expenditures	284,140.00	303,445.33	(19,305.33)	0.03	0.03	0.00
Nonroutine Maintenance	20,000.00	30,118.37	(10,118.37)	0.00	0.00	0.00
Housing Assistance Payments				359,458.00	364,909.08	(5,451.08)
Facilities Acquisition & Construction	7,260.00	9,474.88	(2,214.88)	0.00	0.00	0.00
Debt Service:						
Principal Retirement						
Interest & Bank Charges						
Total Expenditures	1,013,040.00	1,137,278.32	(124,238.32)	410,789.00	411,418.88	(629.88)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	406.00	2,286.01	1,880.01	0.00	5,200.28	5,200.28
OTHER FINANCING SOURCES (USES)						
Operating Transfers In						
Operating Transfers Out						
Total Other Financing Sources (Uses)	0.00	0.00	0.00	0.00	0.00	0.00
NET EXCESS (DEFICIENCY) OF REVENUES	406.00	2,286.01	1,880.01	0.00	5,200.28	5,200.28
FUND BALANCES AT BEGINNING OF YEAR	86,925.70	86,905.70	0.00	0.00	0.00	0.00
FUND BALANCES AT END OF YEAR	87,331.70	89,191.71	1,860.01	0.00	5,200.28	5,200.28

SEE NOTES TO FINANCIAL STATEMENTS

**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 of Morgan City, Louisiana, 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.

The PHA has the following programs under management:

	ACC Number	Number of Units
PHA Owned Housing	FW-1403	330
Section 8	FW-2153	87
	FW-2290V	25

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF PRESENTATION

The accompanying financial statements of the PHA have been prepared in conformity with GAAP as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

GASB Statement Number 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the PHA is legally separate and fiscally independent by being solely accountable for fiscal matters, including (1) budget authority, (2) responsibility for funding deficits and operating deficiencies, (3) fiscal management for controlling the collection and disbursement of funds, (4) authority to issue debt, the PHA is a separate governmental reporting entity. The PHA includes all funds, account groups, activities that are within the oversight responsibility of the PHA.

Certain units of local government over which the PHA exercised no oversight responsibility, such as the school boards, parish police jury, other independently elected parish officials, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate entities and issue financial statements separate from those of the PHA.

The PHA has created a non profit entity called "Morgan City Making a Difference". I reviewed the Charter of the non profit entity but have not been able to locate the By Laws. It appears that the only permanent link from the PHA to the non profit is that both entities have 1 commissioner in common. Based on the information that I have been provided, it appears that the non profit is not a component unit of the PHA. In any case, as of the PHA fiscal year end, I understand that the non profit has not transacted any business and has no bank account, no assets and no liabilities. Accordingly, no entry has been made on the general ledger of the PHA to reflect this non profit.

C. FUND ACCOUNTING

The PHA uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net spendable financial resources.

Funds of the PHA are classified into three categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental funds--Governmental funds account for all or most of the PHA's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition of construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. **General Fund**--the general operating fund of the PHA accounts for all financial resources, except those required to be accounted for in other funds.
2. **Debt Service Fund**--accounts for transactions relating to resources retained and used for the payment of principal and interest on those long term obligations recorded in the general long term obligations account group.
3. **Capital Projects Funds**--account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Fiduciary Funds--Fiduciary funds account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the PHA. Fiduciary funds include:

1. **Tenant Security Deposits**--accounts for assets held by the PHA as an agent for the individual residents. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating Statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds and agency funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues--Federal entitlements are recorded as unrestricted grants-in-aid when available and measurable. Federal restricted grants are recorded when the reimbursable expenditures have been incurred.

Rental income is recorded in the month earned.

Interest earnings on time deposits are recorded when the time deposits have matured and the interest is available. Interest income on interest bearing demand deposits is recorded each month when credited by the bank to the account.

Substantially all other revenues are recorded when they become available to the PHA.

Expenditures--Salaries are recorded as expenditures when paid.

Purchases of various operating supplies are recorded as expenditures in the accounting period they are purchased.

Compensated absences are recognized as expenditures when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death, while the cost of leave privileges not requiring current resources is recorded in the general long term obligations account group.

Principal and interest on general long term debt are recognized when due.

Substantially all other expenditures are recognized when the related fund liability has been incurred.

Other Financing Sources (Uses)--Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long term debt proceeds, and the like) are accounted for as other financing sources (uses). These other financing sources are recognized at the time the underlying events occur.

Deferred Revenues--The PHA reports deferred revenue on its combined balance sheet. Deferred revenues arise when resources are received by the PHA before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the PHA has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

E. BUDGETS

The following summarizes the budget activities of the PHA during the fiscal year:

1. The PHA adopted budgets for the General Fund, the Special Revenue Fund and the Capital Projects Funds. The Capital Projects Funds budget comparison to actual has not been included since the cash project is a multiple year endeavor.

2. The budgets are prepared on the modified accrual basis of accounting. All appropriations lapse at year end.
3. Encumbrances are not recognized within the accounting records for budgetary purposes.
4. Formal budget integration (within the accounting records) is employed as a management control device.
5. The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function. However, when actual revenues within a fund fail to meet budgeted revenues by 5% or more, a budget amendment is adopted by the PHA in an open meeting. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded. In addition, the monthly budget reports are reviewed to ensure compliance with the budget, and where necessary, revisions to the budget are made.

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agents. Under state law, the PHA may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

H. SHORT TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short term interfund loans are classified as interfund receivables/payables.

I. INVENTORY

All purchased inventory items are valued at the lower of cost (first in, first out) or market. Purchased inventories are offset by a fund balance reserve which indicates that these do not constitute "available spendable resources", even though they are a component of total assets.

Acquisition of materials and supplies are accounted for on the purchase method, that is, the expenditure is charged when the items are purchased.

J. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures such as sidewalks and parking lots are capitalized. Interest expense during construction is capitalized. Depreciation has not been provided on general fixed assets.

K. COMPENSATED ABSENCES

The PHA follows Louisiana Civil Serviced regulations for accumulated annual and sick leave. Employees may accumulate up to 300 hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death, while the cost of leave privileges not requiring current resources is recorded in the general long term obligations account group. Leave benefits are based on accrued leave benefits or employees with 10 years service to a maximum of 25 days at their current annual salary.

L. LONG TERM OBLIGATIONS

Long term obligations expected to be financed from governmental funds are reported in the general long term obligations account group. Expenditures for principal and interest payments for long term obligations are recognized in the governmental funds when due.

M. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

N. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers. Nonrecurring or non routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. TOTAL COLUMNS ON COMBINED STATEMENTS

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 -- CASH AND CASH EQUIVALENTS

At September 30, 1998, the PHA has cash and cash equivalents totaling \$111,170.38 as follows:

Interest Bearing Demand Deposits	\$60,480.05
Time Deposits	48,231.55
Petty Cash	200.00
Cash With Fiscal Agent	2,258.78
Total	\$111,170.38

These deposits are stated at cost, which approximates market. 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 1998, the PHA has \$111,170.38 in deposits (collected bank balances). These deposits are secured from risk by \$100,291.55 of federal deposit insurance and \$450,000.00 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledger securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statue 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the PHA that the fiscal agent has failed to pay deposited funds on demand.

NOTE 3--RECEIVABLES

The receivables of \$328,072.59 at September 30, 1998 are as follows:

General Fund:

HUD (\$48,036.00-4,614.00)	43,422.00
Other	12,480.08
Total General Fund	55,902.08

Special Revenue Fund:

HUD	5,830.16
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Debt Service Fund:

HUD	197,991.43
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Capital Projects Fund:

HUD	68,348.92
------------	------------------

Total PHA Wide	328,072.59
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NOTE 4--FIXED ASSETS

The changes in general fixed assets are as follows:

Section 8 Land, Structures & Equipment:

Balance 9-30-97 & 9-30-98 29,209.00

Low Income Housing Land, Structures, & Equipment:

Recorded in:

Account 1400.2 5,104,230.73

Account 1400.4

Balance 9-30-97 8,423,559.43

Net Addition 9,474.88

Balance 9-30-98 8,433,034.31

1994 Vacancy Reduction Program

Balance 9-30-97 939,685.32

Net Increase 29,278.68

Balance 9-30-98 968,964.00

1995 CGP LA48P3670495

Balance 9-30-97 584,819.00

Net Decrease (940.92)

Balance 9-30-98 583,878.08

1996 CGP LA48P36770596

Balance 9-30-97 189,949.00

Net Increase 288,264.90

Balance 9-30-98 478,213.90

1997 CGP LA48P3670697

Balance 9-30-97 57,037.00

Net Increase 160,878.87

Balance 9-30-98 217,915.87

1996 DEP LA48DEP360196

Balance 9-30-97 75,557.00

Net Increase 93,423.36

Balance 9-30-98 168,980.36

1997 DEP	
Balance 9-30-97	0.00
Net Increase	15,975.45
Balance 9-30-98	15,975.45
 Total PHA Wide	 16,000,401.70

Fixed assets are mortgaged to HUD pursuant to the Annual Contributions Contract as collateral for obligations owed to the US Government. The building cost includes \$N/A of ineligible expenditures as determined by HUD.

The PHDEP programs are being presented in the Long Term Debt Account Group even though little of the funds are actually spent on capital improvements. This should be resolved when the programs close out to the Unreserved Surplus Account.

As the CGP and VRP programs are closed out, the hard costs should be recorded to Land, Structures and Equipment and the soft costs should be written against the GFA fund balance.

NOTE 5--RETIREMENT SYSTEM

The PHA participates in the Group Retirement Plan of the Louisiana Housing Council which is a defined contribution plan. Through this plan, the PHA provides pension benefits for all of its full time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All regular and full time employees are eligible to participate in the plan on the first day of the month after completing 6 months of continuous and uninterrupted employment. Each participant in the plan is required to make a monthly contribution equal to 6.5% of each participant's basic compensation. The PHA's contribution for each employee and income allocated to the employee's account are fully vested after 5 years of continuous service. The PHA's contributions and interest forfeited by employees who leave employment before 5 years of service are used to offset future contributions of the PHA.

The PHA's total payroll for fiscal year ended September 30, 1998 was \$298,901.82. The PHA's contributions were calculated using the base salary amount of \$298,901.82. Both the PHA and the covered employees made the required contributions for the year ended September 30, 1998. Employee contributions to the plan totaled \$19,428.62. The PHA contributions totaled \$23,912.15 for the year ended September 30, 1998.

NOTE 6--ACCOUNTS PAYABLE

The payables of \$107, 159.31 at September 30, 1998 are as follows:

General Fund:	
Vendors Payable	63,035.84
Contract Retentions	31,240.00
Other	12,883.47
Total General Fund	107,159.31

NOTE 7--COMPENSATED ABSENCES

At September 30, 1998, employees of the PHA have accumulated and vested \$36,687.20 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. This amount is not expected to be paid from current available resources; therefore the liability is recorded within general long term obligations account group.

NOTE 8--CHANGES IN AGENCY FUND DEPOSITS DUE OTHERS

Balance 9-30-97	28,989.00
Net Change	1,495.00
Balance 9-30-98	30,484.00

NOTE 9--CHANGES IN GENERAL LONG TERM OBLIGATIONS

The following is a summary of the long term obligation transactions of the year ended September 30, 1998:

Interest Payable HUD Notes	242,613.34
Permanent Noted HUD	510,151.25
New housing Bonds Issued	3,615,000.00
New Housing Bonds Retired	(2,114,870.34)
Total Notes and Bonds Payable	2,252,894.25

All principal and interest requirements are funded in accordance with Federal law by the annual contributions from the US Department of HUD. At September 30, 1998, the PHA has accumulated \$197,991.43 in the debt service funds for future debt requirements.

Principal and Interest payments made by HUD during the fiscal year are as follows:

Principal	122,499.86
Interest	75,781.01
Total	198,280.87

Since HUD has determined that all of the above mentioned is conduit debt and is, in fact, owed by HUD, the PHA has been instructed to write off all of the above to Cumulative HUD Contributions. Accordingly, I am not providing the normal GAAP disclosures such as maturity, interest rates, etc. The inclusion or exclusion of the conduit debt has no effect on the operating reserves of the PHA.

NOTE 10--INTERFUND ASSETS/LIABILITIES

Interfund receivables/payables at September 30, 1998 is as follows:

General Fund Account Receivable from Capital Projects Fund	\$68,348.92
General Fund Account Receivable from Special Revenue Fund	\$9,462.41
Special Revenue Fund Account Receivable from General Fund	\$7,000.00

NOTE 11-COMMITMENTS AND CONTINGENCIES

There are certain major construction projects at September 30, 1998. As approved by HUD these projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

The PHA participates in a number of state and federally assisted grant programs. Although the current grant programs have been audited in accordance with the Single Audit Act of 1996 through September 30, 1998, these programs are still subject to compliance audits. PHA management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

The PHA contracted with a CPA firm specializing in maximizing PFS subsidies. The CPA firm may have identified sources of additional funding. The additional funding, if any, will be recognized in the subsequent year.

NOTE 12-YEAR 2000 COMPLIANCE

Since the PHA has bank accounts and other relationships that are dependant upon computers for normal functions, it is impossible to properly determine the effect that Y-2K will have on the PHA until January 2000. The computer software vendor utilized by the PHA indicates that they are in the Testing/Validate stage and that they are confident that the software utilized internally by the PHA will be Y-2K Compliant by the end of the summer of 1999. The PHA itself is not performing any testing/validation at this time but plans to do so by September 1999. HUD indicates that their computer systems are better prepared for Y-2K than most Federal Agencies and they do not anticipate problems in this regard. This CPA firm hereby declares that we are not capable of evaluating the probability of what will really happen relative to Y-2K, does not believe that anyone else is, but that we do not believe that it will have a material long term effect on this PHA.

NOTE 13 -- UNCONFIRMED ACCOUNTS

We were unable to confirm the following account balances:

Low Income Housing:	
Accounts Receivable HUD	\$48,036.00
Interfund Receivable From CGP:	
The PHA's records reflect the amount of	12,093.56
The audit Combining Schedule of Capital Projects Funds	
reflects the amount of	68,348.92
The unconfirmed difference is	56,255.36
Operating Reserve:	
Operating Reserve per HUD 52595	89,191.71
Operating Reserve per this audit	92,650.19
Unconfirmed Difference	3,458.48
Section 8:	
Operating Reserve:	
Operating Reserve per HUD 52595	5,200.28
Operating Reserve per this audit	14,506.10
Unconfirmed Difference	9,305.72

The fee accountant has not done a balance sheet cash analysis. Doing one may clarify the Operating Reserve imbalances.

Housing Authority of the City of Morgan City
Morgan City, Louisiana 70381
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 1998

SCHEDULE I

FEDERAL AGENCY:	CFDA NO.	
U S Department of Housing and Urban Development Direct Programs:		
Low Income Housing:		
Operating Subsidy		581,706.00
Leased		
Development		
Total Low Income Housing	14.850	581,706.00
Section 8 Cluster:		
Vouchers	14.855	90,637.43
Certificates	14.857	320,782.01
Moderate Rehabilitation	14.856	
New Construction	14.182	
Substantial Rehabilitation	14.182	
Total Section 8 Cluster		411,419.44
Comprehensive Grants	14.859	448,202.85
CIAP	14.852	0.00
Public Housing Drug Elimination Program:		
PHDEP		109,398.81
Youth Sports		
Total PHDEP	14.854	109,398.81
VACANCY REDUCTION PROGRAM	LA48VRP	29,279.00
TOTAL FEDERAL EXPENDITURES		1,580,006.10

NOTE: This schedule of expenditures of federal awards is prepared on the HUD regulatory basis of accounting, which is an other comprehensive basis of accounting.

see notes to financial statements

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND FOR THE YEAR ENDED SEPTEMBER 30, 1998

	PROJECT LA48 VRP	PROJECT LA48P36/0495	PROJECT LA48P36/0496	PROJECT LA48P36/0689	PROJECT LA48P36/0690	PROJECT LA48P36/0691	PROJECT LA48P36/0692	PROJECT LA48P36/0693	PROJECT LA48P36/0694	PROJECT LA48P36/0695	PROJECT LA48P36/0696	PROJECT LA48P36/0697	PROJECT LA48P36/0698	PROJECT LA48P36/0699	PROJECT LA48P36/0700	TOTAL
REVENUES																
Local Sources																
Federal Sources - Grants	37,240.68	9,789.42	315,183.35	168,499.26	87,763.50	5,370.42	623,846.63									623,846.63
Total Revenues	37,240.68	9,789.42	315,183.35	168,499.26	87,763.50	5,370.42	623,846.63									623,846.63
EXPENDITURES																
Current																
Administrative																
General Expenses																
Facilities Acquisition and Construction	29,278.68	(940.92)	288,264.90	160,878.87	93,423.36	15,975.45	586,880.34									586,880.34
Total Expenditures	29,278.68	(940.92)	288,264.90	160,878.87	93,423.36	15,975.45	586,880.34									586,880.34
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,962.00	10,730.34	26,918.45	7,620.39	(5,659.86)	(10,605.03)	36,966.29									
FUND BALANCE AT BEGINNING OF YEAR	(12,576.00)	705.58	(26,845.95)	(47,940.00)	(18,658.84)	0.00	(105,315.21)									
FUND BALANCE AT END OF YEAR	(4,614.00)	11,435.92	72.50	(40,319.61)	(24,318.70)	(10,605.03)	(68,348.92)									

see notes to financial statements

GENERAL FIXED ASSETS ACCOUNT GROUP

COMBINING BALANCE SHEET SCHEDULE AS OF SEPTEMBER 30, 1998

-----CAPITAL PROJECTS FUND-----									
	1994	1995	1996	1997	1998	1997	1998	1997	Total
	VRP	CGP	CGP	CGP	CGP	PHDEP	PHDEP	PHDEP	(Memorandum Only)
ASSETS AND OTHER DEBITS									
<i>Assets:</i>									
Cash and Cash Equivalents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intert fund Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land, Structures & Equipment	29,209.00	583,878.08	478,213.90	217,915.87	217,915.87	168,980.36	168,980.36	15,975.45	16,000,401.70
Other Debits:									
Amount Available in Debt Service Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amount to be Provided for Retirement of General Long Term Obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND OTHER DEBITS	13,537,265.04	29,209.00	583,878.08	478,213.90	217,915.87	168,980.36	168,980.36	15,975.45	16,000,401.70
LIABILITIES, EQUITY AND OTHER CREDITS									
<i>Liabilities:</i>									
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intert fund Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits Due Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Compensated Absences Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Notes & Bonds Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Equity & Other Credits</i>									
Investment in General Fixed Assets	29,209.00	583,878.08	478,213.90	217,915.87	217,915.87	168,980.36	168,980.36	15,975.45	16,000,401.70
Fund Balances:									
Reserved for Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserved for Debt Payment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unreserved & Un-designated	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity & Other Credits	29,209.00	583,878.08	478,213.90	217,915.87	217,915.87	168,980.36	168,980.36	15,975.45	16,000,401.70
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	13,537,265.04	29,209.00	583,878.08	478,213.90	217,915.87	168,980.36	168,980.36	15,975.45	16,000,401.70

Housing Authority of the City of Morgan City
 Morgan City, Louisiana 70381
SCHEDULE IV
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1998
SPECIAL REVENUE FUNDS

	Existing	Vouchers	Total
REVENUES			
Local Sources:			
Dwelling Rental	0.00	0.00	0.00
Interest Charges	0.00	0.00	0.00
Receipts from the Sale of Equipment			
Other:			
Federal Sources:			
Operating Subsidy	324,633.38	91,985.78	416,619.16
Annual Contributions		0.00	0.00
Grants			0.00
Total Revenues	324,633.38	91,985.78	416,619.16
EXPENDITURES			
Current:			
Administration	35,731.99	10,777.78	46,509.77
Utilities	0.00	0.00	0.00
Ordinary Maintenance & Operations	0.00	0.00	0.00
Protective Services	0.00	0.00	0.00
General Expenditures	0.03	0.00	0.03
Nonroutine Maintenance	0.00	0.00	0.00
Housing Assistance Payments	285,080.02	79,859.06	364,939.08
Facilities Acquisition & Construction	0.00	0.00	0.00
Debt Service:			
Principal Retirement			0.00
Interest & Bank Charges			0.00
Total Expenditures	320,782.04	90,636.84	411,418.88
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,851.34	1,348.94	5,200.28
OTHER FINANCING SOURCES (USES)			
Operating Transfers In		0.00	0.00
Operating Transfers Out		0.00	0.00
Total Other Financing Sources (Uses)	0.00	0.00	0.00
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXP. AND OTHER USES	3,851.34	1,348.94	5,200.28
FUND BALANCES AT BEGINNING OF YEAR	0.00	0.00	0.00
FUND BALANCES AT END OF YEAR	3,851.34	1,348.94	5,200.28

See notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana 70381
BALANCE SHEET-STATUTORY BASIS

SCHEDULE V

September 30, 1998

ASSETS	LOW INCOME FW-1403	SECTION 8 FW-2153 & FW-2290V
Cash	(36,566.46)	46,858.35
Investments	48,231.55	0.00
Accounts Receivable	137,167.59	12,830.16
Debt Amortization Funds	200,250.21	0.00
Deferred Charges	91,915.00	0.00
Land, Structures and Equipment	13,537,265.04	29,209.00
TOTAL ASSETS	13,978,262.93	88,897.51
LIABILITIES AND SURPLUS		
LIABILITIES:		
Accounts Payable	137,643.31	9,462.41
Notes Payable	510,151.25	0.00
Accrued Liabilities	242,613.34	0.00
Deferred Credits	0.00	35,720.00
Fixed Liabilities	1,500,129.66	0.00
TOTAL LIABILITIES	2,390,537.56	45,182.41
Surplus	11,587,725.37	43,715.10
TOTAL LIABILITIES AND SURPLUS	13,978,262.93	88,897.51

see notes to financial statements

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

SCHEDULE VI

STATEMENT OF INCOME AND EXPENSES-PHA OWNED HOUSING
STATUTORY BASIS

For the year Ended September 30, 1998

OPERATING INCOME:

Dwelling Rental	\$495,897.43
Interest Income	2.91
Other Income	61,957.99
	<hr/>
Total Operating Income	557,858.33

OPERATING EXPENSES:

Administration	\$211,274.04
Tenant Services	0.00
Utilities	353,719.12
Ordinary Maintenance and Operations	229,246.58
General Expense	303,445.33
Non-Routine Maintenance	30,118.37
	<hr/>
Total Operating Expenses	1,127,803.44

NET OPERATING DEFICIT (\$569,945.11)

OTHER CHARGES:

Interest on Notes and Bonds	\$75,781.01
Prior Period Adjustments Affecting Residual Receipts	0.00
Prior Period Adjustments Not Affecting residual Receipts	(2,000.00)
	<hr/>

TOTAL OTHER CHARGES 73,781.01

DEFICIT (\$643,726.12)

see notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana 70381
STATEMENT OF INCOME AND EXPENSES
HOUSING ASSISTANCE PAYMENTS PROGRAMS
STATUTORY BASIS
For the year Ended September 30, 1998

SCHEDULE VII

	EXISTING FW-2153	VOUCHERS FW-2292V
Operating Income	\$0.00	\$0.00
Total Operating Income	0.00	0.00
Operating Expenses:		
HAP Payments	285,050.02	79,859.06
Administration Expenses	35,731.99	10,778.37
Total Operating Expenses	320,782.01	90,637.43
Net Operating Deficit	(320,782.01)	(90,637.43)
Other Credits:		
Prior Period Adjustments Affecting Residual Receipts	0.03	(0.59)
Deficit	(\$320,782.04)	(\$90,636.84)

see notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana 70381
ANALYSIS OF SURPLUS
For the year Ended September 30, 1998

SCHEDULE VIII

STATUTORY BASIS

Unreserved Surplus Balance Per PHA 9-30-97	LOW RENT (12,577,736.10)	SECTION 8 (5,140,140.10)
Deficit for fye 9-30-98	(643,726.12)	(411,418.88)
Provision Operating Reserve	(2,286.01)	(5,200.28)
Provision Project Account	0.00	(74,822.84)
Adjustment Recorded	(573,382.28)	75,187.97
Audit Entries	0.00	0.00
Balance 9-30-98	(13,797,130.51)	(5,556,394.13)
Reserved Surplus--Operating Reserve Balance Per PHA 9-30-97	86,905.70	0.00
Provision Operating Reserve	2,286.01	5,200.28
Balance 9-30-98	89,191.71	5,200.28
Reserved Surplus--Project Account Balance Per PHA 9-30-97	0.00	390,283.32
Provision Project Account	0.00	74,822.84
Adjustments During the Year	0.00	(59,618.97)
Balance 9-30-98	0.00	405,487.19
Cumulative HUD Contributions: Balance Per PHA 9-30-97	23,928,220.71	4,772,802.60
Annual Contribution 1998	197,991.43	416,619.16
Operating Subsidy 1998	581,706.00	0.00
Modernization Grants	623,846.63	0.00
Adjustments Recorded	(42,139.51)	0.00
Audit Entries	0.00	0.00
Balance 9-30-98	25,289,625.26	5,189,421.76
Cumulative Donations	6,038.91	0.00
Total Surplus 9-30-98	11,587,725.37	43,715.10

see notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana 70381
PHA's Statement and Certification of Actual Modernization Costs
COMPLETED PROJECTS

SCHEDULE IX
LA48P03670495 & LA48VRP036194

1. The actual modernization costs of the projects are as follows:

	LA48P03670495	LA48VRP036194
Funds Approved	595,314.00	964,350.00
Funds Expended	595,314.00	964,350.00
Excess of Funds Approved	0.00	0.00

FUNDS ADVANCED

HUD	595,314.00	964,350.00
Funds Expended	595,314.00	964,350.00
Excess of Funds Advanced	0.00	0.00

1. The distribution of costs by project as shown on the Final Statements of Modernization Cost dated 7-2-98 accompanying the Actual Modernization Cost Certificates submitted to HUD for approval is in agreement with the PHA's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.
3. Please note the auditor's finding relative to the lack of modernization ledgers and control thereof. The certification is simply stating that the PHA's records in total are in agreement with the AMCC's and is not meant to conflict with the finding.

see notes to financial statements

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AMERICAN INSTITUTE OF CPA'S

**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 70381

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, 1998, and have issued my report thereon dated March 5, 1999. I conducted my 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 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 98-1 and 98-2.

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 it's 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 judgement, could adversely affect the PHA's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1 and 98-2.

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. My consideration of the internal control over financial reporting 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 98-1 and 98-2 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.

March 5, 1999



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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 70381

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, 1998. 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 A-133, 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 98-1a, 98-2a, 98-3a, 98-4a, and 98-5a in the accompanying schedule of findings and questioned costs, the PHA did not comply with requirements regarding control over its physical assets, budgeting laws, Section 8 Certificates program rent reasonableness regulations, HUD administrative plan requirements, and proper accounting and account classification, respectively. Compliance with such requirements is necessary, in my opinion, for the PHA to comply with requirements to the Low Income Housing, Section 8 Certificates, and Vacancy Reduction Programs.

In my opinion, except for the noncompliance described in the 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, 1998.

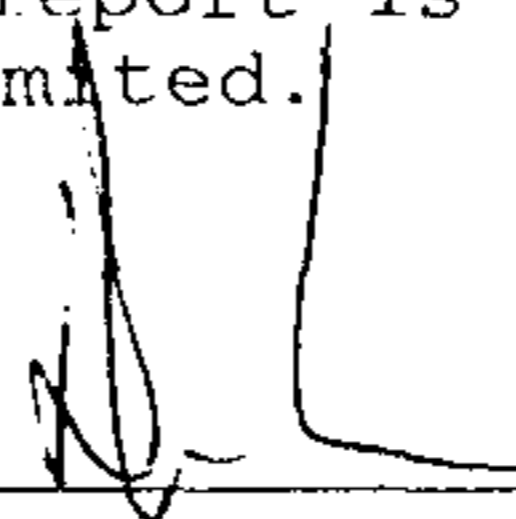
Internal Control Over Compliance

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 matters 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 judgement, 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 98-1a through 98-5a.

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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. However, of the reportable conditions describe above, I consider items 98-1a through 98-5a 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

March 5, 1999

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:

97-1, 97-3 -- Inadequate Segregation of Duties

The prior auditor properly described that the PHA does not have an adequate segregation of duties due to the small number of employees. We find that this condition exists in almost all PHA's and is not financially feasible to correct.

We would not have recorded this as a finding are not repeating it.

97-2, 97-4 -- Physical Inventory

This is repeated as finding 98-1 and 98-1a

97-5 -- Administrative Plan

This is repeated as finding 98-4a

97-6 -- Family Self Sufficiency

We contacted HUD staff and confirmed our opinion that, whereas the PHA still elects to not participate in the FSS program, it is not an appropriate finding. We are not repeating this finding.

97-7 -- Rent Payment Standards

This finding is cleared by the PHA adopting and implementing Federal FMR.

97-8 -- Section 8 Tenant File Deficiencies

We find the tenant files to be dramatically improved and are not repeating the finding.

97-9 -- Rent Reasonableness

This is repeated as finding 98-3a

97-10 -- PHMAP Indicators without adequate documentation

We find the PHMAP worksheets to adequately document the PHMAP report. We are clearing this finding.

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

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Per A-133, Section 505(d)

1. Summary Schedule of Auditors Results:

- i. The report includes an unqualified opinion on the financial statements.
- ii. There were reportable conditions in internal controls found required to be disclosed at the financial statement level.
- iii. The audit disclosed noncompliance which is material to the financial statements.
- iv. Reportable conditions in internal control over major programs, as required by A-133, were disclosed by the audit.
- v. The compliance report issued for major programs was qualified.
- vi. The report disclosed audit findings required to be reported under Section 510a of A-133.
- vii. All major programs have oversight by HUD and are identified as follows:

CFDA#	Name of Program
14.850	Low Income Housing
14.855	Section 8 Vouchers
14.857	Section 8 Certificates
?	Vacancy Reduction Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.00.
- ix. The auditee was not considered a low risk auditee.

2. Findings relating to the financial statements required to be reported with GAGAS are as follows:

Finding # 98-1

Condition--The PHA does not have a physical inventory of equipment balanced to the general ledger.

Criteria--The PHA should conduct an annual physical inventory and balance the general ledger to it.

Cause--The PHA conducted a physical inventory and delivered it to the fee accountant, who did not adjust the general ledger to it.

Effect--The general ledger is innaccurate.

PHA Response--We attempted to resolve the prior finding by performing a proper physical inventory. We will do this job again during the current fiscal year and ensure that the fee accountant has adequate documentation to adjust the general ledger to the physical inventory. The PHA tagged every stove, refrigerator and all other equipment. The PHA assigned costs to each item and delivered the physical inventory to the fee accountant. The PHA, because the fee accountant did not question the physical inventory, thought that there was no problem adjusting the general ledger to the physical inventory.

Finding #98-2

Condition--The PHA overran it's approved operating budget in 8 expense categories for a total of \$85,801.

Criteria--The PHA should operate within it's approved operating budget and/or revise the budget so expense categories are not overrun.

Cause--The PHA's Board of Commissioners was aware of budget overruns but did not revise the budget at the end of the fiscal year.

Effect--The PHA unknowingly violated State Law by overrunning it's operating budget.

PHA Response--We revised the budget at mid year and were aware the actual costs were in excess of the budgeted amounts in these categories but did not perform a budget revision near year end which would have allowed us to conform to State law. At the suggestion of the auditor, we will do a year end budget revision from now on.

3. Findings and questioned costs for Federal awards as defined in A-133, Section 510a, all with HUD oversight:

1. Name of Program--Low Income Housing-98-1a; 98-2a; 98-4a;
98-5a
Section 8 Certificates-98-3a
Identification Number--Low Income Housing FW-1403
Section 8 Certificates FW-2153
CFDA Title & Number--Low Income Housing 14.850
Section 8 Certificate 14.357
Federal Award # & Year--1998
Name of Federal Agency--HUD
Name of Pass Through Entity--None
2. Criteria--98-1a--Please see GAGAS section 2 for the criteria as this must be repeated for A-133.
98-2a--The PHA should stay within it's approved operating budget.
98-3a--The PHA must have 3 specific rent reasonableness comparables for each property on the Certificates Program.
98-4a--The PHA should have an updated administrative plan.
98-5a--The PHA should have a program-to-date subsidiary ledger for each modernization and PHDEP program. The general ledger close out amounts of each program should be compared to the final HUD reporting for each program.
3. Condition--98-1a--Please see GAGAS section 2 for the condition as this must be repeated for A-133.
98-2a--The PHA overran it's approved operating budget in 3 budget expenditure categories for a total of \$85,801.00.
98-3a--The PHA has not adequately documented rent reasonableness.
98-4a--The PHA has an outdated administrative plan.
98-5a--The fee accountant thought the architect kept subsidiary ledgers and the architect thought the fee accountant kept these ledgers. In fact, neither has kept adequate subsidiary ledgers. No one has verified the close out amounts for prior programs per the general ledger is in agreement with HUD reporting documentation.
4. Amount of Questioned Cost and How Computed--None

5. 98-1a--A physical inventory should cover all of the general fixed assets account group, which has a total amount recorded of \$16,000,401.70.
98-2a--This finding identifies 8 expenditure categories of a total of 16 controllable expenditure categories. The finding identifies \$85,801.00 of budget overruns out of a total expenditures of \$1,137,278.32.
98-3--We tested 25 of 87 certificate tenant files and found each of them deficient regarding rent reasonableness. The total HAP for certificates for this fiscal year was \$285,050.02.
98-4--The administrative plan covers the entire PHA. The PHA should review all policies to ensure they all have been recently reviewed for possible update needs.
98-5--Modernization and PHDEP expenditures for the year totaled \$588,380.66. No adequate subsidiary ledgers were maintained for these expenditures. Of at least equal concern is the previously closed out programs without adequate confirmation that the general ledger totals agreed with the amounts reported to HUD. It is unknown how many dollars are included in this.
6. Effect--98-1a--Please see GAGAS section 2 for the effect as this must be repeated for A-133.
98-2a--The PHA is not in compliance with State and Federal regulations regarding budgeting.
98-3a--The PHA is not in compliance with HUD regulations concerning rent reasonableness.
98-4a--The PHA is in violation of HUD regulation regarding the administrative plan.
98-5a--Adequate controls do not exist for these programs. I consider this a very serious deficiency that could possibly affect the general ledger fixed assets for numerous previously closed out MOD programs.

7. Recommendations to prevent future occurrences include--
 - 98-1a--Complete an adequate physical inventory including cost values for each item and have the fee accountant adjust the general ledger to it. The board must approve any equipment write off by resolution as they have done in the past.
 - 98-2a--The PHA should revise it's operating budget near the end of each fiscal year to comply with the law.
 - 98-3a--The PHA should divide the jurisdiction into 3 areas and document rent comparables for each area.
 - 98-4a--Complete a revised administrative plan to include all current HUD requirements including the Quality Housing and Work Act of 1998.
 - 98-5a--I suggest that the fee accountant be assigned and compensated for maintaining subsidiary ledgers for each such program. I also suggest that the architect communicate with the fee accountant to ensure that HUD reporting agrees with the general ledger.

8. PHA officials agree with these findings.

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

CORRECTIVE ACTION PLAN

Our corrective action plan is as follows:

Finding 98-1a

Contact person responsible for action -- Wendell Bogan

Anticipated completion date -- June 30, 1999

Corrective action planned -- We will again take an adequate physical inventory, deliver it to the fee accountant, and have them confirm that they have adjusted the general ledger to it.

Finding 98-2a

Contact person responsible for action -- Wendell Bogan

Anticipated completion date -- August 31, 1999

Corrective action planned -- We will have the board of commissioners adopt a near year end revised operating budget to conform to State and Federal laws and regulations.

Finding 98-3a

Contact person responsible for action -- Clarence Robinson

Anticipated completion date -- April 30, 1999

Corrective action planned -- We have divided our jurisdiction into 3 areas. We have now compiled a data base of rent comparables and are using them to comply with Federal rent reasonableness regulations, as suggested by the clear and concise instructions of the auditor.

Finding 98-4a

Contact person responsible for action -- Wendell Bogan

Anticipated completion date -- September 30, 1999

Corrective action planned -- We will use the requirements of the Quality Housing and Work Responsibility Act of 1998 and revise our administrative plan.

Finding 98-5a

Contact person responsible for action -- Wendell Bogan

Anticipated completion date -- June 30, 1999

Corrective action planned -- We will have the fee accountant work with the architect and develop and maintain adequate subsidiary ledgers for all active modernization and PHDEP programs. Additionally, we will have the fee accountant verify that the close out totals of each current and former program per the general ledger is in agreement with the final reports to HUD.

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

AUDITOR COMMENT

HUD has developed the Public Housing Management Assessment Plan (PHMAP), whose goal is to evaluate the performance of all PHA's comparing them to all other PHA's nationwide. The prior auditor included finding 97-10 detailing at least 9 entries on the PHA's PHMAP report that were, in his opinion, not adequately documented. The PHMAP regulations, as I understand them, require that each of these indicators be reassigned a presumptive "F" by HUD in cases where the auditor determines inadequate documentation exists requiring reconstruction to confirm the indicators. If HUD had agreed with the auditors' opinion and re-scored the PHA's PHMAP accordingly, the PHA would likely have been declared PHMAP Troubled. Please note that I consider the current PHMAP documentation adequate and did not repeat the finding.

Communication with HUD staff confirms that HUD cannot locate hard copies of the last 2 audits. In my opinion, HUD did not adequately monitor this PHA in that it should have ensured that it had in file the audit reports and acted upon the auditors reporting.

The PHA's position is that it mailed HUD 4 copies of each report, once at the conclusion of the original audit and once when HUD staff called and asked for additional copies. Additionally, per the 1996 Single Audit Act, the Federal Audit Clearinghouse should have forwarded copies of the audit reports to HUD since they contained findings.

This auditor comment is an attempt to raise the question whether or not the audit report-oversight agency follow up system is working as planned.