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HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, 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 14 1999

WILLIAM DANIEL MCCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

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MANDVILLE, LOUISIANA 70471

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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 LAFAYETTE
LAFAYETTE, LOUISIANA 70501

I have audited the accompanying general purpose financial statements of the Housing Authority of The City of Lafayette (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.

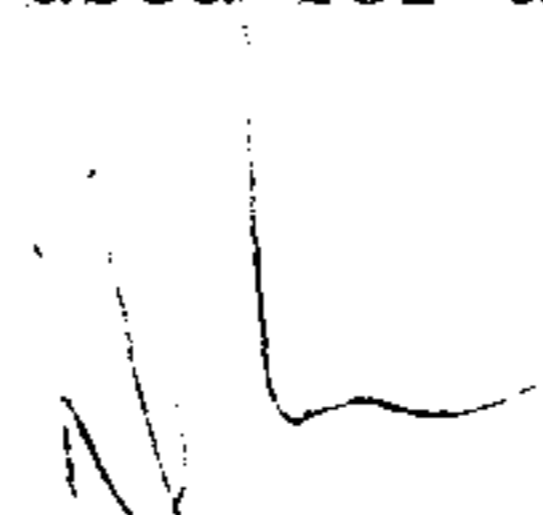
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable 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 Lafayette 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 December 17, 1998 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

December 17, 1998

Housing Authority of the City of Lafayette
Lafayette, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET AS OF SEPTEMBER 30, 1998

EXHIBIT A

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUNDS				ACCOUNT GROUPS				Total (Memorandum Only)
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Fiduciary Agency Funds	General Fixed Assets	General Long Term Obligations		
Cash and Cash Equivalents	556,577.17	629,862.48	21,804.55	0.00	45,255.61	0.00	0.00	0.00	1,253,499.81
Receivables	117,302.22	102,685.16	378,821.83	93,566.29	0.00	0.00	0.00	0.00	692,375.50
Interfund Receivables	293,805.33	284,312.89	0.00	0.00	0.00	0.00	0.00	0.00	578,118.22
Prepaid Insurance	33,961.87	21,057.35	0.00	0.00	0.00	0.00	0.00	0.00	55,019.22
Other	12,053.69	166,664.32	0.00	0.00	0.00	0.00	0.00	0.00	178,718.01
Land, Structures & Equipment	0.00	0.00	0.00	0.00	0.00	22,778,320.78	0.00	0.00	22,778,320.78
Other Debits	0.00	0.00	0.00	0.00	0.00	0.00	400,626.38	0.00	400,626.38
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of General Long Term Obligations	0.00	0.00	0.00	0.00	0.00	0.00	3,340,342.88	0.00	3,340,342.88
TOTAL ASSETS AND OTHER DEBITS	\$1,013,700.28	\$1,204,582.20	\$400,626.38	\$93,566.29	\$45,255.61	\$22,778,320.78	\$3,740,969.26	\$0.00	\$29,277,020.80
LIABILITIES, EQUITY AND OTHER CREDITS									
Liabilities:									
Accounts Payable	115,007.66	179,930.92	0.00	0.00	0.00	0.00	0.00	0.00	294,938.58
Interfund Payables	0.00	423,653.24	0.00	93,566.29	0.00	0.00	0.00	0.00	517,219.53
Deposits Due Others	0.00	160,451.96	0.00	0.00	45,255.61	0.00	0.00	0.00	205,707.57
Deferred Revenues	0.00	167,172.00	0.00	0.00	0.00	0.00	0.00	0.00	167,172.00
Compensated Absences Payable	0.00	0.00	0.00	0.00	0.00	0.00	42,677.77	0.00	42,677.77
Notes & Bonds Payable	0.00	0.00	0.00	0.00	0.00	0.00	3,698,291.49	0.00	3,698,291.49
Total Liabilities	\$115,007.66	\$931,208.12	\$0.00	\$93,566.29	\$45,255.61	\$0.00	\$3,740,969.26	\$0.00	4,926,006.94
Equity & Other Credits									
Investment in General Fixed Assets	0.00	0.00	0.00	0.00	0.00	22,778,320.78	0.00	0.00	22,778,320.78
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	400,626.38	0.00	0.00	0.00	0.00	0.00	400,626.38
Unreserved & Undesignated	898,692.62	273,374.08	0.00	0.00	0.00	0.00	0.00	0.00	1,172,066.70
Total Equity & Other Credits	\$898,692.62	\$273,374.08	\$400,626.38	\$0.00	\$0.00	\$22,778,320.78	\$0.00	\$0.00	\$24,351,013.86
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$1,013,700.28	\$1,204,582.20	\$400,626.38	\$93,566.29	\$45,255.61	\$22,778,320.78	\$3,740,969.26	\$0.00	\$29,277,020.80

see notes to financial statements

Housing Authority of the City of Lafayette
Lafayette, Louisiana

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

EXHIBIT B

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total (Memorandum Only)
REVENUES					
Local Sources:					
Dwelling Rental	945,430.21	0.00	0.00	0.00	945,430.21
Interest Charges	24,177.37	25,284.25	0.00	0.00	49,461.62
Receipts from the Sale of Equipment					
Other	41,055.59	96.25	0.00	0.00	41,151.84
Federal Sources:					
Operating Subsidy	993,943.00	0.00	0.00	0.00	993,943.00
Annual Contributions		2,114,059.00		1,423,097.69	3,537,156.69
Grants		2,139,439.50		1,423,097.69	5,567,143.36
Total Revenues	2,004,606.17	2,139,439.50	0.00	1,423,097.69	5,567,143.36
EXPENDITURES					
Current:					
Administration	239,665.03	383,226.97	0.00	0.00	622,892.00
Utilities	452,499.00	0.00	0.00	0.00	452,499.00
Ordinary Maintenance & Operations	590,094.41	0.00	0.00	0.00	590,094.41
Protective Services	4,200.00	0.00	0.00	0.00	4,200.00
General Expenditures	336,727.25	0.00	0.00	0.00	336,727.25
Nonroutine Maintenance	43,127.28	0.00	0.00	0.00	43,127.28
Housing Assistance Payments		1,890,536.60	0.00	0.00	1,890,536.60
Facilities Acquisition & Construction	142,058.74	0.00	0.00	1,481,089.57	1,623,148.31
Debt Service:					
Principal Retirement			0.00		0.00
Interest & Bank Charges			0.00		0.00
Total Expenditures	1,808,371.71	2,273,763.57	0.00	1,481,089.57	5,563,224.85
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	196,234.46	(134,324.07)	0.00	(57,991.88)	3,918.51
OTHER FINANCING SOURCES (USES)					
Operating Transfers In		0.00			0.00
Operating Transfers Out		24,636.00			24,636.00
Total Other Financing Sources (Uses)	0.00	24,636.00			24,636.00
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXP. AND OTHER USES	196,234.46	(158,960.07)	0.00	0.00	(24,636.00)
FUND BALANCES AT BEGINNING OF YEAR	702,458.16	432,334.15	0.00	(35,574.41)	1,099,217.90
FUND BALANCES AT END OF YEAR	898,692.62	273,374.08	0.00	(93,566.29)	1,078,500.41

see notes to financial statements

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

	*****GENERAL FUND*****		*****SPECIAL REVENUE FUND*****	
	Budget	Actual	Budget	Actual
REVENUES				
Local Sources:				
Dwelling Rental	925,380.00	945,430.21		
Interest Charges	23,090.00	24,177.37	0.00	0.00
Receipts from the Sale of Equipment			0.00	25,284.25
Other	20,880.00	41,055.59	0.00	96.25
Federal Sources:				
Operating Subsidy	993,943.00	993,943.00	0.00	0.00
Annual Contributions				
Grants				
Total Revenues	1,963,293.00	2,004,606.17	2,129,347.00	2,114,059.00
EXPENDITURES				
Current:				
Administration	222,200.00	239,665.03	266,111.00	383,226.97
Utilities	504,350.00	452,499.00	0.00	0.00
Ordinary Maintenance & Operations	631,427.00	590,094.41	0.00	0.00
Protective Services	0.00	4,200.00	0.00	0.00
General Expenditures	462,990.00	336,727.25	0.00	0.00
Nonroutine Maintenance	25,000.00	43,127.28	0.00	0.00
Housing Assistance Payments			0.00	0.00
Facilities Acquisition & Construction	43,000.00	142,058.74	1,862,781.00	1,890,536.60
Debt Service:			0.00	0.00
Principal Retirement				
Interest & Bank Charges				
Total Expenditures	1,888,967.00	1,808,371.71	2,128,892.00	2,273,763.57
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	74,326.00	196,234.46	455.00	(134,324.07)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In				
Operating Transfers Out				
Total Other Financing Sources (Uses)	0.00	0.00	24,636.00	24,636.00
NET EXCESS (DEFICIENCY) OF REVENUES	74,326.00	196,234.46	24,636.00	0.00
FUND BALANCES AT BEGINNING OF YEAR	702,458.16	702,458.16	(24,181.00)	(158,960.07)
FUND BALANCES AT END OF YEAR	776,784.16	898,692.62	432,334.15	432,334.15
			408,153.15	273,374.08
				(134,779.07)
				(134,779.07)

see notes to financial statements

**THE HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, 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 Lafayette, Louisiana. This creation was contingent upon the local governing body of the city or parish. The PHA is governed by HUD by way of the Director of Public Housing in the New Orleans state office acting in the place of the Board of Commissioners since HUD has taken over the PHA.

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-1112	572
Section 8: Existing	FW-2056	416
Vouchers	FW-2233	177

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 administers the Lafayette Parish Section 8 Program for a fee. It is unclear to me that the PHA has the jurisdictional right to do so. Additionally, I am concerned about co mingling of funds since the Housing Assistance Payments of the Parish program are paid out of the same bank account as the PHA's Housing Assistance Payments.

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 \$1,334,511.46 as follows:

Interest Bearing Demand Deposits	\$712,206.91
Federal Securities	600,000.00
Petty Cash	500.00
Cash With Fiscal Agent	21,804.55
Total	\$1,334,511.46

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 \$1,334,511.46 in deposits (collected bank balances). These deposits are secured from risk by \$100,000.00 of federal deposit insurance and \$1,061,755.55 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Six hundred thousand (\$600,000.00) of these funds are invested directly in Federal Securities. Even though the pledged 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 \$692,375.50 at September 30, 1998 are as follows:

General Fund:	
Tenants Accounts Receivable	117,302.22
Special Revenue Fund:	
Accounts Receivable HUD	95,829.00
Interest Receivable	2,382.10
Due From the City/Parish	4,474.06
Total Special Revenue	102,685.16
Debt Service Fund:	
Due from HUD	378,821.83
Capital Projects Fund:	
Due from HUD	93,566.29
Total Receivables	692,375.50

It is noted that the PHA is owed fees for administering the Lafayette Parish section 8 program. These fees have not been recorded in the books and records of the PHA. They will be recorded when they are received during the subsequent fiscal year. The amount of the fees are not material to the section 8 program.

NOTE 4--FIXED ASSETS

The changes in general fixed assets are as follows:

<u>Low Income Housing:</u>	
Land, Structures & Equipment	
Balance 9-30-97	17,857,469.77
Net Change	141,368.74
Balance 9-30-98	17,998,838.51
MOD 908	
Balance 9-30-97	907,381.00
Net Change	0.00
Balance 9-30-98	907,381.00
CDBG	
Balance 9-30-97	90,000.00
Net Change	45,303.80
Balance 9-30-98	135,303.80
PIH Grant	
Balance 9-30-97	164,931.68
Net Change	44,566.31
Balance 9-30-98	209,497.99

1992 CGP

Balance 9-30-97	640,421.00
Net Change	0.00
Balance 9-30-98	640,421.00

1993 CGP	
Balance 9-30-97	750,032.06
Net Change	9,273.94
Balance 9-30-98	759,306.00

1994 CGP	
Balance 9-30-97	567,577.82
Net Change	178,646.18
Balance 9-30-98	746,224.00

1995 CGP	
Balance 9-30-97	50,057.55
Net Change	659,683.45
Balance 9-30-98	709,741.00

1996 CGP	
Balance 9-30-97	29,944.84
Net Change	543,615.89
Balance 9-30-98	573,560.73

Non Dwelling Equipment	690.00
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<u>Total Low Income Housing Fixed Assets</u>	22,680,964.03
--	---------------

Existing Program:

Balance 9-30-97	31,140.28
Net Change	37,009.24
Balance 9-30-98	68,149.52

Vouchers Program:

Balance 9-30-97	13,345.84
Net Change	15,861.39
Balance 9-30-98	29,207.23

<u>Total PHA Wide</u>	22,778,320.78
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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 \$0.00 of ineligible expenditures as determined by HUD.

NOTE 5--RETIREMENT SYSTEM

The PHA participates in the Housing Renewal and Local Agency Retirement Plan 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 an uninterrupted employment. Each participant in the plan is required to make a monthly contribution equal to 6% 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 \$643,107.46. The PHA's contributions were calculated using the base salary amount of \$551,803.55. Both the PHA and the covered employees made the required contributions for the year ended September 30, 1998. Employee contributions to the plan totaled \$33,108.21. The PHA contributions totaled \$44,144.28 for the year ended September 30, 1998.

NOTE 6--ACCOUNTS PAYABLE

The payables of \$294,938.58 at September 30, 1998 are as follows:

General Fund:	
Payroll Taxes	3,183.58
Payments in lieu of Taxes	42,716.53
Utilities	40,154.16
Other	11,920.00
To balance the Balance Sheet Analysis	17,033.39
Total	115,007.66
Special Revenue Fund:	
Accrued wages	6,574.00
HUD Payable	110,662.00
Other	62,694.92
Total	179,930.92
Total PHA Wide	294,938.58

NOTE 7--COMPENSATED ABSENCES

At September 30, 1998, employees of the PHA have accumulated and vested \$42,677.77 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

Fiduciary Funds:	
Balance 9-30-97	43,112.00
Net Change	2,143.61
Balance 9-30-98	45,255.61

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:

Compensated Absences:	
Balance 9-30-97	Unknown
Net Change	42,677.77
Balance 9-30-98	42,677.77
Notes and Bonds:	
FFB Notes	6,968.17
New Housing Bonds Issued	7,140,000.00
New Housing Bonds Retired	3,448,676.68

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 \$400,626.38 in the debt service fund.

The PHA has not recorded any debt service this year. The balances reported above are the same as at 9-30-97. HUD has determined that the above debt is conduit debt owed, in fact, by HUD and not by the PHA. Accordingly, HUD has authorized the PHA to write off the balance. This will be done in fiscal year 1999.

NOTE 10--INTERFUND ASSETS/LIABILITIES

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

General Fund AR From Special Revenue	200,239.04
General Fund AR From Capital Projects Fund	93,566.29
Total General Fund AR	293,805.33
Special Revenue Fund:	
Existing AR From Vouchers	284,312.89
PHA Wide Interfund AR	578,118.22
Special Revenue Fund:	
Due to General Fund	140,361.25
Existing Due Vouchers	283,291.99
Total Special Revenue AP	423,653.24
Capital Projects Fund Due to General Fund	93,566.29
PHA Wide Interfund AP	517,219.53
Imbalance in Interfund	60,898.69

The imbalance is as follows:

General Fund AR from Special Revenue	200,239.04
Special Revenue Fund AP to Gen. Fund	-140,361.25
Difference	59,877.79
Vouchers AR from Existing	284,312.89
Existing AP to Vouchers	-283,291.99
Difference	1,020.90
Total Difference	60,898.69

The difference described above is not material to the financials and/or each program. The PHA staff will balance the interfunds each month from now on.

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. Costs incurred on these projects totaled \$2,998,329.72 as of September 30, 1998.

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's attorney indicates that the PHA is involved in numerous litigations, in none of which is the PHA's financial exposure measurable.

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 after January 2000. The computer software vendor utilized by the PHA indicates that they are in the Testing/Validation 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 also performing Testing/Validation at this time and plans complete this stage by the end of the summer of 1999. HUD indicates that their computer systems are better prepared for Y-2K than most Federal agencies and 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.

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

SCHEDULE I

FEDERAL AGENCY:	CFDA NO.	Federal Award Expenditures
U S Department of Housing and Urban Development Direct Programs:		
Low Income Housing:		
Operating Subsidy		993,943.00
Leased		
Development		
Total Low Income Housing	14.850	993,943.00
Section 8 Cluster:		
Vouchers	14.855	599,388.00
Certificates	14.857	1,514,671.00
Moderate Rehabilitation	14.856	
New Construction	14.182	
Substantial Rehabilitation	14.182	
Total Section 8 Cluster		2,114,059.00
Comprehensive Grants	14.859	1,423,097.69
CIAP	14.852	0.00
Public Housing Drug Elimination Program:		
PHDEP		
Youth Sports		
Total PHDEP	14.854	0.00
Shelter + Care	14.238	0.00
HOPE	14.858	0.00
HOME	14.239	0.00
Child Care Food Program (USDA)	10.558	0.00
 TOTAL FEDERAL EXPENDITURES		 4,531,099.69

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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

Housing Authority of the City of Lafayette
 Lafayette, Louisiana
 ALL FUND TYPES AND ACCOUNT GROUPS
 COMBINING BALANCE SHEET AS OF SEPTEMBER 30, 1998 – SPECIAL REVENUE FUND

SCHEDULE II

	*****SPECIAL REVENUE FUNDS*****		
	EXISTING FW-2056	VOUCHERS FW-2233	TOTAL
ASSETS AND OTHER DEBITS			
Assets:			
Cash and Cash Equivalents	539,862.48	90,000.00	629,862.48
Receivables	102,685.16	0.00	102,685.16
Interfund Receivables	0.00	284,312.89	284,312.89
Prepaid Insurance	14,740.14	6,317.21	21,057.35
Other	166,664.32	0.00	166,664.32
Land, Structures & Equipment	0.00	0.00	0.00
Other Debits:			
Amount Available in Debt Service Funds	0.00	0.00	0.00
Amount to be Provided for Retirement of General Long Term Obligations	0.00	0.00	0.00
TOTAL ASSETS AND OTHER DEBITS	823,952.10	380,630.10	1,204,582.20
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	6,574.00	173,356.92	179,930.92
Interfund Payables	423,653.24	0.00	423,653.24
Deposits Due Others	0.00	160,451.96	160,451.96
Deferred Revenues	132,093.00	35,079.00	167,172.00
Compensated Absences Payable	0.00	0.00	0.00
Notes & Bonds Payable	0.00	0.00	0.00
Total Liabilities	562,320.24	368,887.88	931,208.12
Equity & Other Credits			
Investment in General Fixed Assets	0.00	0.00	0.00
Fund Balances:			
Reserved for Other	0.00	0.00	0.00
Reserved for Debt Payment	0.00	0.00	0.00
Unreserved & Undesignated	261,631.86	11,742.22	273,374.08
Total Equity & Other Credits	261,631.86	11,742.22	273,374.08
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	823,952.10	380,630.10	1,204,582.20

see notes to financial statements

Housing Authority of the City of Lafayette
 Lafayette, Louisiana

SCHEDULE III

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

	EXISTING FW-2056	VOUCHERS FW-2233	Total (Memorandum Only)
REVENUES			
<i>Local Sources:</i>			
Dwelling Rental	0.00	0.00	0.00
Interest Charges	14,299.12	10,985.13	25,284.25
Receipts from the Sale of Equipment			
Other	85.37	10.88	96.25
<i>Federal Sources:</i>			
Operating Subsidy			0.00
Annual Contributions	0.00	0.00	0.00
Grants	1,514,671.00	599,388.00	2,114,059.00
Total Revenues	1,529,055.49	610,384.01	2,139,439.50
EXPENDITURES			
<i>Current:</i>			
Administration	269,275.83	113,951.14	383,226.97
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	0.00	0.00	0.00
Nonroutine Maintenance	0.00	0.00	0.00
Housing Assistance Payments	1,351,089.80	539,446.80	1,890,536.60
Facilities Acquisition & Construction	0.00	0.00	0.00
<i>Debt Service:</i>			
Principal Retirement	0.00		0.00
Interest & Bank Charges	0.00		0.00
Total Expenditures	1,620,365.63	653,397.94	2,273,763.57
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,310.14)	(43,013.93)	(134,324.07)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In			0.00
Operating Transfers Out	17,245.00	7,391.00	24,636.00
Total Other Financing Sources (Uses)	17,245.00	7,391.00	(24,636.00)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER	(108,555.14)	(50,404.93)	(158,960.07)
FUND BALANCES AT BEGINNING OF YEAR	370,187.00	62,147.15	432,334.15
FUND BALANCES AT END OF YEAR	261,631.86	11,742.22	273,374.08

see notes to financial statements

Housing Authority of the City of Lafayette
Lafayette, Louisiana

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

SCHEDULE IV

	PROJECT 1997 CDBG PIH #800-96-024 LA48VRT00500196	PROJECT LA48P00570293 LA48P00570394	PROJECT LA48P00570495	PROJECT LA48P00570596	TOTAL
REVENUES					
Local Sources					
Federal Sources--Grants	0.00	54,942.67	9,273.94	184,334.74	659,683.45
Total Revenues	0.00	54,942.67	9,273.94	184,334.74	659,683.45
EXPENDITURES					
Current:					
Administrative					
General Expenses	45,303.80	44,566.31	9,273.94	178,646.18	659,683.45
Facilities Acquisition and Construction	45,303.80	44,566.31	9,273.94	178,646.18	659,683.45
Total Expenditures	(45,303.80)	10,376.36	0.00	5,688.56	0.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,000.00	(38,314.90)	0.00	(6,449.21)	0.00
FUND BALANCE AT BEGINNING OF YEAR	(35,303.80)	(27,938.54)	0.00	(760.65)	0.00
FUND BALANCE AT END OF YEAR					

see notes to financial statements

Housing Authority of the City of Lafayette
 Lafayette, Louisiana
 BALANCE SHEET
 Annual Contributions Contracts FW-1112, FW-2056 & FW-2233
 September 30, 1998

SCHEDULE V

ASSETS	LOW RENT FW-1112	CERTIFICATES FW-2056	VOUCHERS FW-2233
Cash	301,832.78	329,862.48	0.00
Investments	300,000.00	210,000.00	90,000.00
Accounts Receivable	317,541.26	102,685.16	284,312.89
Debt Amortization Funds	400,626.38	0.00	0.00
Deferred Charges	46,015.56	14,740.14	6,317.21
Land, Structures and Equipment	22,680,964.03	68,149.52	29,207.23
TOTAL ASSETS	24,046,980.01	725,437.30	409,837.33
LIABILITIES AND SURPLUS			
LIABILITIES:			
Accounts Payable	48,439.19	423,653.24	170,539.79
Notes Payable	0.00	0.00	0.00
Accrued Liabilities	94,790.69	6,574.00	2,817.13
Deferred Credits	0.00	132,093.00	35,079.00
Fixed Liabilities	3,698,291.49	0.00	0.00
TOTAL LIABILITIES	3,841,521.37	562,320.24	208,435.92
Surplus	20,205,458.64	163,117.06	201,401.41
TOTAL LIABILITIES AND SURPLUS	24,046,980.01	725,437.30	409,837.33

see notes to financial statements

Housing Authority of the City of Lafayette
Lafayette, Louisiana
STATEMENT OF INCOME AND EXPENSES-PHA OWNED HOUSING
Annual Contributions Contract FW-1112
For the year Ended September 30, 1998

SCHEDULE VI

OPERATING INCOME:

Dwelling Rental	945,430.21
Interest Income	24,177.37
Other Income	41,055.59

Total Operating Income	1,010,663.17
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OPERATING EXPENSES:

Administration	239,665.03
Tenant Services	3,063.05
Utilities	452,499.00
Ordinary Maintenance and Operations	590,094.41
General Expense	333,664.20
Non-Routine Maintenance	43,127.28
Protective Services	4,200.00

Total Operating Expenses	1,666,312.97
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NET OPERATING DEFICIT	(655,649.80)
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OTHER CHARGES:

Interest on Notes and Bonds	0.00
Prior Period Adjustments Affecting Residual Receipts	0.00
Prior Period Adjustments Not Affecting residual Receipts	0.00

TOTAL OTHER CHARGES	0.00
---------------------	------

DEFICIT	(655,649.80)
---------	--------------

see notes to financial statements

Housing Authority of the City of Lafayette
 Lafayette, Louisiana
 STATEMENT OF INCOME AND EXPENSES
 HOUSING ASSISTANCE PAYMENTS PROGRAM
 Annual Contributions FW-2056 & FW-2233
 For the year Ended September 30, 1998

SCHEDULE VII

	CERTIFICATES FW-2056	VOUCHERS FW-2233
Operating Income	14,384.49	10,996.01
Total Operating Income	14,384.49	10,996.01
Operating Expenses:		
HAP Payments	1,351,089.80	539,446.80
Administration Expenses	269,275.83	113,951.14
Total Operating Expenses	1,620,365.63	653,397.94
Net Operating Deficit	(1,605,981.14)	(642,401.93)
Other Credits:		
Prior Period Adjustments Affecting Residual Receipts	0.00	0.00
Deficit	(1,605,981.14)	(642,401.93)

see notes to financial statements

Housing Authority of the City of Lafayette
Lafayette, Louisiana
ANALYSIS OF SURPLUS--STATUTORY BASIS
For the year Ended September 30, 1998

SCHEDULE VIII

	LOW RENT FW-1112	CERTIFICATES FW-2056	VOUCHERS FW-2233
Unreserved Surplus Balance Per PHA 9-30-97	(12,881,543.89)	(24,274,692.01)	(8,047,563.96)
Deficit for Year 9-30-98	(655,649.80)	(1,605,981.14)	(642,401.93)
Provision for Operating Reserve	(196,234.46)	91,310.14	43,013.93
Provision for Project Account	0.00	137,589.00	25,071.00
Adjustments During the Year	(586.00)	1,306,290.29	362,338.17
Balance 9-30-98	(13,734,014.15)	(24,345,483.72)	(8,259,542.79)
Reserved Surplus-Operating Reserve Balance 9-30-97	702,453.16	370,187.00	62,147.15
Provision for Operating Reserve	196,234.46	(91,310.14)	(43,013.93)
Adjustments During the Year	0.00	(17,245.00)	(7,391.00)
Balance 9-30-98	898,692.62	261,631.86	11,742.22
Reserved Surplus--Project Account Balance 9-30-97	0.00	4,951,439.88	2,878,025.78
Provision Project Account	0.00	(137,589.00)	(25,071.00)
Adjustments During the Year	0.00	(1,280,095.88)	(390,832.78)
Balance 9-30-98	0.00	3,533,755.00	2,462,122.00
Cumulative HUD Contributions: Balance 9-30-97	30,398,476.75	19,198,542.92	5,387,691.98
Annual Contribution 9-30-98	0.00	1,514,671.00	599,388.00
Operating Subsidy 9-30-98	993,943.00	0.00	0.00
Modernization/Other Grants	1,423,097.69	0.00	0.00
Adjustments Recorded	9,944.41	0.00	0.00
Total Cumulative HUD Contribution	32,825,461.85	20,713,213.92	5,987,079.98
Cumulative Donations	215,318.32	0.00	0.00
TOTAL SURPLUS	20,205,458.64	163,117.06	201,401.41

see notes to financial statements

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

BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, LOUISIANA 70501

I have audited the financial statements of the Housing Authority of The City of Lafayette (PHA), as of and for the year ended September 30, 1998, and have issued my report thereon dated December 17, 1998. 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.

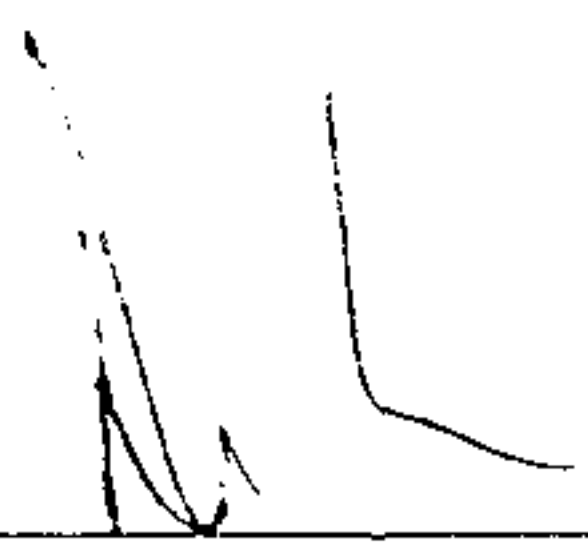
Internal Control Over Financial Reporting

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 its operating that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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.

December 17, 1998



William Daniel McCaskill, CPA
A Professional Accounting Corporation

WILLIAM DANIEL MCCASKILL, CPA

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

BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, LOUISIANA 70501

Compliance

I have audited the compliance of the Housing Authority of The City of Lafayette (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 and 98-2a in the accompanying schedule of findings and questioned costs, the PHA did not comply with requirements regarding Real Property Asset Management and Budgetary Control that are applicable to its Low Income Housing and Section 8 Programs. Compliance with such requirements is necessary, in my opinion, for the PHA to comply with requirements applicable to these programs.

In my opinion, except for the noncompliance described in 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.

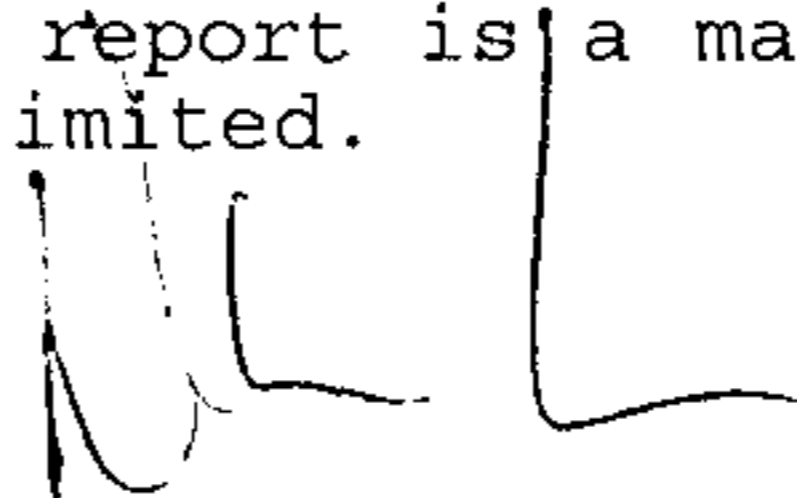
Internal Control Over Compliance

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 and 98-2a.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 98-1a and 98-2a 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

December 17, 1998

THE HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

97-1 and 97-1a -- The PHA's accounting records were not in an auditable condition.

While the accounting records are far from perfect, they are now in an auditable condition.

97-3 and 97-3a -- The modernization programs lacked adequate controls.

During the 1998 fiscal year adequate controls were put into place.

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

97-2 and 97-2a -- The PHA did not have an adequate physical inventory balanced to the general ledger.

The corrective action planned was of taking a good physical inventory and balancing the general ledger to it. The physical inventory was taken but the PHA failed to balance the general ledger to it. This is repeated as finding 98-1 and 98-1a.

THE HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, 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. Reportable conditions in internal controls found at the financial statement level were disclosed by the audit of the financial statements and were considered material weaknesses.
- iii. The audit disclosed noncompliance which is material to the financial statements.
- iv. Reportable conditions in internal control over major programs 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	Vouchers
14.857	Certificates
14.859	Comprehensive Grants
- 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 Number 98-1

Statement of Conditions--The PHA does not have an accurate physical inventory of equipment balanced to the general ledger.

Criteria--Annually, the PHA should physically inventory all of it's equipment and balance it to the general ledger.

Effect--The PHA does not have adequate controls over it's equipment.

Cause--The PHA did take an adequate physical inventory during the fiscal year but the general ledger was not balanced to it.

PHA Response--We concur with the finding. We did complete a physical inventory of stoves and refrigerators and do keep a card file system for other inventory. We will make every effort to correct this matter in fiscal year 1998.

Finding Number 98-2

Statement of Conditions--The PHA overran it's operating budgets for the general fund in 4 broad categories for a total of \$138,850.00 and the special revenue fund in the administrative category in the amount of \$117,115.97.

Criteria--The PHA should amend it's operating budgets during the year so the budgets do not overrun.

Effect--The PHA is not in compliance with State budget laws.

Cause--While the PHA was aware of the budget overruns, the staff did not adjust the budgets and have the board of commissioners approve the revisions.

PHA Response--We concur with this finding and will prepare budget revisions in the future.

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

Finding 98-1a -- This is a duplicate finding and is described in more detail in Section 2, Finding 98-1.

1. Name of Program--Low Income Housing
Identification Number--FW-1112
CFDA Title and Number--Low Income Housing 14.850
Federal Award Number & Year--1998
Name of Federal Agency--HUD
Name of Pass Through Entity--None
2. Criteria--See Section 2, Finding 98-1 for details.
3. Condition--See Section 2, Finding 98-1 for details.
4. Amount of questioned costs and how they were computed--
None
5. The Land, Structures and Equipment recorded on the general ledger totals \$22,778,320.78.
6. Effect--See Section 2, Finding 98-1 for details.
7. Recommendations to prevent future occurrences of the finding include conducting a physical inventory and adjusting the general ledger to it.
8. PHA officials agree with the finding.

Finding 98-2a -- This is a duplicate finding and is described in more detail in Section 2, Finding 98-2.

1. Name of Program--Low Income Housing and Section 8
Identification Number--FW-1112, FW-2056, and FW-2233
CFDA Title and Number--Low Income Housing CFDA 14.850,
Vouchers CFDA 14.855, and Certificates CFDA 14.857
Federal Award Number & Year--1998
Name of Federal Agency--HUD
Name of Pass Through Entity--None
2. Criteria--See Section 2, Finding 98-2 for details.
3. Condition--See Section 2, Finding 98-2 for details.
4. Amount of questioned costs and how they were computed--
5. The Low Income Housing approved operating budget expenditures was \$1,888,967.00. The budget overruns in 4 broad categories totaled \$138,850.

The Section 8 Administrative budget expenditures was \$266,111.00. The budget overrun was \$117,115.97.
6. Effect--See Section 2, Finding 98-2 for details.
7. Recommendations to prevent future occurrences of the finding include having the staff prepare and the board approve budget revisions during the year.
8. PHA officials agree with the finding.

THE HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, LOUISIANA

CORRECTIVE ACTION PLAN

Our corrective action plan is as follows:

Finding 98-1 and 98-1a

Contact Person Responsible for Action--Walter Guillory

Anticipated Completion Date--June 30, 1999

Corrective Action Planned--We will take another physical inventory and adjust the general ledger to it.

Finding 98-2 and 98-2a

Contact Person Responsible for Action--Walter Guillory

Anticipated Completion Date--August 30, 1999

Corrective Action Planned--We will have staff revise the operating budgets and have the board approve the revisions during the year.