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**HOUSING AUTHORITY OF THE
TOWN OF BERWICK**

Program Number FW-1023

Financial Report
Year Ended December 31, 2004

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

Release Date 7-13-05

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)	4-10
FINANCIAL STATEMENTS	
Statement of net assets	12-13
Statement of revenues, expenses and changes in net assets	14
Statement of cash flows	15
Notes to financial statements	16-22
SUPPLEMENTAL INFORMATION	
Combining schedule of net assets	24
Combining schedule of revenues, expenses and changes in net assets	25-26
Schedule of expenditures of federal awards	27
Notes to expenditures of federal awards	28
Schedule of capital fund program costs	29
Financial data schedule - balance sheet	30-31
Financial data schedule - revenues and expenses	32-33
REPORTS AND SCHEDULES REQUIRED BY <u>GOVERNMENT</u>	
<u>AUDITING STANDARDS</u>	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <u>Government Auditing Standards</u>	35-36
Schedule of findings and questioned costs	37-39
Summary schedule of prior audit findings	40
Corrective action plan for current year findings	41

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Conrad O. Chapman, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*

P.O. Box 3438
Morgan City, LA 70381

Phone (985) 384-2020
Fax (985) 384-3020

WEB SITE
WWW.KCSRCPAS.COM

Robert S. Carter, CPA
Allen J. LaBry, CPA
Harry J. Clostio, CPA
Al Leger, CPA
Penny Angelle Scroggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Kelly M. Doucat, CPA
Kenneth J. Rachal, CPA
Cheryl L. Bartley, CPA, CVA
Mandy B. Self, CPA

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

* A Professional Accounting Corporation

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Housing Authority of the Town of Berwick
Berwick, Louisiana

We have audited the accompanying statement of net assets of the Housing Authority of the Town of Berwick, as of December 31, 2004, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Berwick, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance, with Government Auditing Standards, we have also issued our report dated May 6, 2005 on our consideration of the Housing Authority of the Town of Berwick's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

183 South Beadle Road
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge Street
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddii
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 W Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

The management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule (FDS) and supplemental information listed in the table of contents, including the schedule of expenditures of federal awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Housing Authority of the Town of Berwick. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City Louisiana
May 6, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**
(unaudited)

Housing Authority of Berwick, Louisiana
Management's Discussion and Analysis (MD&A), (unaudited)
December 31, 2004

The management of Public Housing Authority of Berwick, Louisiana presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending December 31, 2004. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,436,153 at the close of the fiscal year ended 2004.
 - Of this amount \$1,087,168 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - The remainder of \$348,985 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 57% of the total operating expenses of \$610,316 for the fiscal year 2004, which means the Authority might be able to operate about 7 months using the unrestricted assets alone.

- The Housing Authority's total net assets increased by \$40,014, a 3% change from the prior fiscal year 2003. This increase is attributable to an excess of Federal grants for both operations and capital funds in excess of the amounts spent for operations and capital purchases during the current fiscal year, described in more detail below.

- The increase in net assets of these funds was accompanied by an increase in unrestricted cash by \$30,893 from fiscal year 2003, primarily due to receiving about \$25,000 more funds from HUD than was spent for operations, and receiving about \$4,000 more than was spent for capital assets.

- The Authority spent \$6,670 on capital asset additions and \$169,853 on construction in progress during the current fiscal year. In addition, the Authority completed prior year construction in progress totaling \$212,487.

- These changes led to an increase in total assets by \$42,827 and an increase in total liabilities by \$2,814. However, as another measure of financial health, there are still over \$5 of current assets covering each dollar of total liabilities.

- *The Housing Authority continues to operate without the need for debt borrowing.*

- The primary source of funding for these activities continues to be the Department of Housing and Urban Development (HUD).

Housing Authority of Berwick, Louisiana
Management's Discussion and Analysis (MD&A), (unaudited)
December 31, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds: Low Rent Program, Capital Fund Program, and Comprehensive Improvement Assistance Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Housing Authority of Berwick, Louisiana
Management's Discussion and Analysis (MD&A), (unaudited)
December 31, 2004

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,436,153 as of December 31, 2004. Of this amount, \$1,087,168 was invested in capital assets, and the remaining \$348,985 was unrestricted. There were \$16,500 in specific assets restricted - tenant security deposits, but there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
As of December 31,**

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets	\$ 413,291	\$ 380,146
Restricted Assets - tenant security deposits	16,500	16,850
Capital Assets, Net of Depreciation	<u>1,087,168</u>	<u>1,077,137</u>
Total Assets	<u>1,516,959</u>	<u>1,474,133</u>
LIABILITIES		
Current Liabilities	73,266	71,932
Non-Current Liabilities	<u>7,540</u>	<u>6,062</u>
Total Liabilities	<u>80,806</u>	<u>77,994</u>
NET ASSETS		
Invested in Capital Assets, Net of Depreciation	1,087,168	1,077,138
Unrestricted Net Assets	<u>348,985</u>	<u>319,001</u>
Total Net Assets	<u>1,436,153</u>	<u>1,396,139</u>
Total Liabilities and Net Assets	<u>1,516,959</u>	<u>1,474,133</u>

Housing Authority of Berwick, Louisiana
Management's Discussion and Analysis (MD&A), (unaudited)
December 31, 2004

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds increased by \$40,014, or by 3%, from those of fiscal year 2003, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets
Fiscal Year Ended December 31,**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Rental Revenue	\$ 236,554	\$ 222,710
Federal Grants - Operating	223,972	190,395
Other Tenant Revenue	5,267	7,270
	<hr/>	<hr/>
Total Operating Revenues	465,793	420,375
OPERATING EXPENSES		
Depreciation	155,808	152,424
Administration	145,526	136,560
Utilities	134,456	91,211
Ordinary maintenance and repairs	106,551	94,611
General	67,975	62,701
Tenant Services	-	3,060
	<hr/>	<hr/>
Total Operating Expenses	610,316	540,567
(Losses) from Operations	<hr/>	<hr/>
	(144,523)	(120,192)
NON-OPERATING REVENUES		
Federal Grants - Capital	164,102	403,227
Other Revenue	19,026	3,272
Interest and Investment Income	1,409	2,394
	<hr/>	<hr/>
Total Non-Operating Revenues	184,537	408,893
NON-OPERATING EXPENSES		
Extraordinary Repairs	-	11,240
Casualty Losses	-	3,271
	<hr/>	<hr/>
Total Non-Operating Expenses	-	14,511
NET INCREASE IN NET ASSETS	<hr/>	<hr/>
	40,014	274,190
NET ASSETS, Beginning of Year	<hr/>	<hr/>
	1,396,139	1,121,949
NET ASSETS, End of Year	<hr/>	<hr/>
	1,436,153	1,396,139

Housing Authority of Berwick, Louisiana
Management's Discussion and Analysis (MD&A), (unaudited)
December 31, 2004

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$178,938, or by 22%, from a combination of larger offsetting factors. Reasons for this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD decreased by \$239,125, or by 59% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 1999 through 2004
- Federal revenues from HUD for operations increased by \$33,577, or by 18% from that of the prior fiscal year. The determination of operating grants is based upon a three year average of past operations performance. The current contributions were greater because of increases in performance of at least one of the prior fiscal years' operations.
- Total other non-operating revenue increased by \$15,754 from that of the prior fiscal year, because The Authority received some waivers of payments in lieu of taxes (PILOT) from its related City taxing authority.
- Total tenant revenue increased by \$11,842, or by 5% from that of the prior fiscal year, from two primary sources. Rental revenues increased by \$13,844, or by 6%, even though occupancy only increased by 1%. The amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) decreased by \$2,003, or by 28%, reducing total revenues slightly.
- Interest and investment income decreased by \$985, or by 41% from that of the prior fiscal year, even though cash available for investing increased by \$30,891, because it was spent mostly on capital assets instead of investments.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$55,238, or by 10%, but this also was made up of a combination of offsetting factors. Again, reasons for this change are listed below in order of impact from greatest to least:

- Utilities Expense increased by \$43,247, or by 47% from that of the prior fiscal year, due to a combination of changes in consumption and rate increases: Water increased by \$8,894, due to an increase in consumption by 16% and an increase in rate by 21%. Electricity increased by \$733, due to an increase in consumption by 5% and an increase in rate by 5%. Gas increased by \$15,571, due to an increase in consumption by 4% and an increase in rate by 18%. Other utilities expense increased by \$18,049, or by 117%, due to an increase in waste removal.
- Extraordinary maintenance decreased by \$11,240, tenant services decreased by \$3,060, and casualty losses decreased by \$3,271, or by 100%, because none of these types of costs were incurred in the current fiscal year.

Housing Authority of Berwick, Louisiana
Management's Discussion and Analysis (MD&A), (unaudited)
December 31, 2004

- Ordinary maintenance and repairs increased by \$11,940, or by 13% from that of the prior fiscal year due to a combination of causes: Repair staff wages increased by \$2,961, or by 8%, and related employee benefit contributions increased by \$565, or by 4%. Materials used increased by \$10,333, or by 50%, but contract labor costs decreased by \$1,918, or by 8%.
- Administrative Expenses increased by \$8,966, or by 7% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$3,846, staff vacation and sick leave pay decreased by \$1,452; and related employee benefit contributions increased by \$406. Total staff salaries and benefit costs therefore increased by 3%. In addition, audit fees increased by \$855, accounting fees increased by \$4,783, administrative and contract labor costs on construction projects increased by \$20,416, legal fees increased by \$5,028, and staff travel reimbursements increased by \$698. Therefore, total office costs and professional fees increased by 498%. Finally, due to cost conservation measures, sundry expenses decreased by \$25,612.
- General Expenses increased by \$5,273, or by 8% from that of the prior fiscal year, due to a combination of offsetting factors: Insurance premiums increased by \$7,266, because property and casualty insurance premiums increased. Other general expenses increased by \$0, or by 0%. Payments in lieu of taxes (PILOT) decreased by \$1,282, or by 9%, because PILOT is calculated as a *percentage of rent (which increased by 6%) minus utilities (which increased 47%)*, and therefore changed proportionately to the changes in each of these. Finally, uncollectible rents from vacated units decreased by \$711.
- Depreciation expense increased by \$3,384, or by 2% from that of the prior fiscal year. There was an increase in capital assets by \$176,523, and existing capital assets are reaching the end of their estimated useful lives, which lessened the increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Housing Authority had a total cost of \$4,760,851 invested in a broad range of assets and construction in progress from projects funded in 1999 through 2004, listed below. This amount, not including depreciation, represents increases of \$176,523 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

Capital Assets, Net of Accumulated Depreciation
As of December 31,

	<u>2004</u>	<u>2003</u>
Land	\$ 179,085	\$ 179,085
Construction in Progress	193,366	235,999
Buildings	491,503	523,403
Leasehold Improvements	165,007	73,943
Furniture and Equipment	58,207	64,707
Total	1,087,168	1,077,137

As of the end of the 2004 fiscal year, the Authority is still in the process of completing HUD grants of \$1,004,781 obtained during 1999 through 2004 fiscal years. A total remainder of \$490,720 will be received and \$461,148 will be spent for completing these projects during fiscal year 2005.

Housing Authority of Berwick, Louisiana
Management's Discussion and Analysis (MD&A), (unaudited)
December 31, 2004

Debt

Long-term debt includes accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2005 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Clarence Robinson, Jr. , Executive Director, at Public Housing Authority of Berwick, Louisiana; P.O. Box 231; Berwick, LA 70342-0231 .

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Statement of Net Assets
December 31, 2004

ASSETS

Current assets:	
Cash	\$ 383,695
Receivables	
HUD	29,572
Other	389
Prepaid expenses	14,567
Inventories	<u>1,568</u>
Total current assets	429,791
Property and equipment, net	<u>1,087,168</u>
Total assets	<u>\$ 1,516,959</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 36,049
Accrued expenses	<u>37,217</u>
Total current liabilities	73,266
Noncurrent liabilities:	
Compensated absences payable	<u>7,540</u>
Total liabilities	<u>80,806</u>
Net assets:	
Invested in capital assets	1,087,168
Unrestricted	<u>348,985</u>
Total net assets	<u>1,436,153</u>
Total liabilities and net assets	<u>\$ 1,516,959</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Statements of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2004

Operating revenues	<u>\$ 465,793</u>
Expenses:	
Administrative	145,526
Depreciation	155,808
Operating and maintenance	106,551
Taxes and insurance	67,975
Utilities	<u>134,456</u>
Total expenses	<u>610,316</u>
Operating loss	<u>(144,523)</u>
Non-operating revenues:	
Capital grant	164,102
Interest income	1,409
Other	<u>19,026</u>
Total non-operating revenues	<u>184,537</u>
Net income	40,014
Net assets, beginning of year	<u>1,396,139</u>
Net assets, end of year	<u>\$ 1,436,153</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Statement of Cash Flows
Year Ended December 31, 2004

OPERATING ACTIVITIES	
Rents and other fees collected from tenants	235,068
Operating subsidy received	223,972
Paid to suppliers and employees	<u>(447,201)</u>
Net cash provided by operating activities	<u>11,839</u>
 CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant proceeds	164,102
Purchase/Construction of capital assets	(165,839)
Other receipts	<u>19,026</u>
Net cash provided by capital and related financing activities	<u>17,289</u>
 INVESTING ACTIVITIES	
Interest income	<u>1,413</u>
Net cash provided by investing activities	<u>1,413</u>
Net increase in cash	30,541
Cash and restricted cash, beginning	<u>353,154</u>
Cash and restricted cash, ending	<u>\$ 383,695</u>

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

Loss from operations	\$ (144,523)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -	
Depreciation	155,808
Increase or decrease in:	
Accounts receivable	(6,753)
Inventories	(665)
Prepaid expenses	5,160
Accounts payable	2,207
Accrued expenses	1,230
Tenant security deposits	<u>(625)</u>
Net cash used for operating activities	<u>\$ 11,839</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Organization and Operations

The Housing Authority of the Town of Berwick (the Authority) is a municipal corporation located in Berwick, Louisiana and was established in May, 1962 under the provisions of LSA-RS 40:381 et seq for the purpose of providing decent, safe and sanitary housing for persons of low income.

The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the Town of Berwick. Each member serves a five-year term on a rotating basis. An Executive Director is appointed by the Board and is responsible for the daily operations of the Authority.

The Authority owns, operates and maintains 130 units of public housing. The Authority administers an annual contributions contract to provide low income housing with the primary financial support from the United States Department of Housing and Urban Development (HUD). Revenues of the Authority consist primarily of rents and other fees collected from tenants, and an operating subsidy from HUD.

B. Reporting Entity

General accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of December 31, 2004, and for the fiscal year then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Financial Statements (continued)

C. Basis of Accounting and Measurement Focus

The Authority's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management a control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are rents collected from tenants and subsidies provided by federal agencies. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets and unrestricted components. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Financial Statements (continued)

E. Fixed Assets and Depreciation

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. The Authority has a policy in place which requires the capitalization of all asset purchases of \$500 or greater.

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	33 years
Equipment	3-5 years
Site and Building Improvements	15 years
Nondwelling Structures	15 years

The recognition of depreciation begins upon placement of the asset into useful operation.

F. Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist primarily of prepaid insurance.

H. Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program. Annual budgets are not required for CIAP and CFP grants as their budgets are approved for the length of the project.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Financial Statements (continued)

I. Retirement Plan

The Authority provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six month exclusionary period. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

J. Compensated Absences

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued annual leave is paid.

L. Inventories

Inventories are stated at the lower of cost or market, with cost determined by the first-in first-out, (FIFO) method.

(2) Cash and Certificates of Deposits

Under state law, the Authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Authority may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2004, the Authority had cash and interest-bearing deposits (book balances) totaling \$383,595.

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 bank. 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. The following is a summary of deposit balances (bank balances) at December 31, 2004, and the related federal insurance and pledged securities:

Bank balances	<u>\$450,326</u>
Federal deposit insurance	\$216,500
Pledged securities (Category 3)	<u>233,826</u>
Total federal insurance and pledged securities	<u>\$450,326</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Financial Statements (continued)

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Authority's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon demand.

(3) Receivables

At December 31, 2004, receivables consisted of the following:

	Low Rent	Capital Fund Program	Total
Interest	\$ 389	\$ -	\$ 389
Grants - HUD	-	29,572	29,572
Total	\$ 389	\$ 29,572	\$ 29,961

(4) Property and Equipment

A summary of property and equipment at December 31, 2004, follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 179,085	\$ -	\$ -	\$ 179,085
Buildings	3,355,065	171,292	-	3,526,357
Building equipment	109,597	2,950	4,219	108,328
Nondwelling equipment	128,531	3,720	2,949	129,302
Improvements	589,852	41,195	6,632	624,415
Construction in progress	235,999	169,853	212,487	193,365
Total	\$ 4,598,129	\$ 389,010	\$ 226,287	\$ 4,760,852
Accumulated depreciation	\$ 3,520,992	\$ 155,808	\$ 3,116	\$ 3,673,684

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Financial Statements (continued)

(5) Accrued Expense

Accrued expenses, at December 31, 2004, consisted of the following:

	<u>Low Rent</u>
Payroll taxes payable	\$ 738
Compensated absences payable	14,606
Retainage payable	13,188
Tenants security deposits	<u>16,225</u>
Total	<u>\$ 44,757</u>

(6) Simplified Employee Pension

For the year ended December 31, 2004, the Authority contributed \$7,220 to simplified employee pensions on behalf of participating employees.

(7) Net Assets

None of the Authority's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

(8) Current Vulnerability Due to Certain Concentrations

The Authority's major asset is a 130-unit apartment complex. The Authority's operations are concentrated in the multifamily real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Financial Statements (continued)

(9) Residual Equity Transfer

Funds from the Capital Fund (formerly CIAP) provided by HUD are used to maintain and improve this Public Housing portfolio. Substantially all additions to land, structures and equipment of Public Housing are accomplished through these modernization grant funds. An amount equal to depreciation on property and equipment purchased or constructed with these funds is transferred to the low rent program upon completion of the capital grant. The residual equity transfer is as follows:

	<u>Low Rent</u>	<u>Capital Fund Program</u>	<u>Comprehensive Grant Program</u>	<u>Total</u>
Net assets, December 31, 2003	\$ 857,575	\$455,608	\$ 82,956	\$ 1,396,139
Transfer from Capital Fund program to Low Rent	<u>195,169</u>	<u>(195,169)</u>	<u>-</u>	<u>-</u>
Net assets, December 31, 2003, as restated	<u>\$1,052,744</u>	<u>\$260,439</u>	<u>\$ 82,956</u>	<u>\$ 1,396,139</u>

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Combining Schedule of Net Assets
Year Ended December 31, 2004

	<u>Low Rent</u>	<u>Capital Improvement Assistance Fund Program</u>	<u>Capital Fund Program</u>	<u>Eliminations</u>	<u>TOTAL</u>
Current assets:					
Cash	\$ 383,695	\$ -	\$ -	\$ -	\$ 383,695
Receivables					
HUD	-	-	29,572	-	29,572
Other	389	-	-	-	389
Prepaid expenses	14,567	-	-	-	14,567
Inventories	1,568	-	-	-	1,568
Interprogram - due from	-	8,771	2,032	(10,803)	-
Total current assets	<u>400,219</u>	<u>8,771</u>	<u>31,604</u>	<u>(10,803)</u>	<u>429,791</u>
Property and equipment:					
Land	179,085	-	-	-	179,085
Buildings	3,286,237	57,197	182,923	-	3,526,357
Dwelling equipment	101,108	-	7,220	-	108,328
Nondwelling equipment	87,521	34,670	7,111	-	129,302
Improvements	586,777	-	37,638	-	624,415
Construction in progress	-	-	193,365	-	193,365
Total fixed assets	<u>4,240,728</u>	<u>91,867</u>	<u>428,257</u>	<u>-</u>	<u>4,760,852</u>
Less: accumulated depreciation	<u>3,627,537</u>	<u>28,429</u>	<u>17,718</u>	<u>-</u>	<u>3,673,684</u>
Net fixed assets	<u>613,191</u>	<u>63,438</u>	<u>410,539</u>	<u>-</u>	<u>1,087,168</u>
Total assets	<u>\$ 1,013,410</u>	<u>\$ 72,209</u>	<u>\$ 442,143</u>	<u>\$ (10,803)</u>	<u>\$ 1,516,959</u>
Current liabilities:					
Accounts payable	\$ 17,633	\$ -	\$ 18,416	\$ -	\$ 36,049
Accrued wages payable	7,804	-	-	-	7,804
Retainage payable	-	-	13,188	-	13,188
Tenant security deposits	16,225	-	-	-	16,225
Interprogram - due to	10,803	-	-	(10,803)	-
Total current liabilities	<u>52,465</u>	<u>-</u>	<u>31,604</u>	<u>(10,803)</u>	<u>73,266</u>
Noncurrent liabilities:					
Compensated absences payable	7,540	-	-	-	7,540
Total liabilities	<u>60,005</u>	<u>-</u>	<u>31,604</u>	<u>(10,803)</u>	<u>80,806</u>
Net assets:					
Invested in capital assets	613,191	63,438	410,539	-	1,087,168
Unrestricted	340,214	8,771	-	-	348,985
Total net assets	<u>953,405</u>	<u>72,209</u>	<u>410,539</u>	<u>-</u>	<u>1,436,153</u>
Total liabilities and net assets	<u>\$ 1,013,410</u>	<u>\$ 72,209</u>	<u>\$ 442,143</u>	<u>\$ (10,803)</u>	<u>\$ 1,516,959</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Combining Schedule Revenues, Expenses and Changes in Net Assets
December 31, 2004

	Low Rent	Capital Improvement Assistance Fund Program	Capital Fund Program	Eliminations	TOTAL
Operating revenues:					
Tenant					
Rental	\$ 236,554	\$ -	\$ -	\$ -	\$ 236,554
Maintenance and other	5,267	-	-	-	5,267
HUD operating grants	203,556	-	20,416	-	223,972
Total operating revenues	<u>445,377</u>	<u>-</u>	<u>20,416</u>	<u>-</u>	<u>465,793</u>
Expenses:					
Administrative -					
Auditing fees	7,100	-	-	-	7,100
Bookkeeping/Accounting fees	4,783	-	-	-	4,783
CFP soft costs	-	-	20,416	-	20,416
Conventions and meetings	698	-	-	-	698
Miscellaneous	5,028	-	-	-	5,028
Office	12,711	-	-	-	12,711
Salaries and benefits	94,790	-	-	-	94,790
Total administrative expenses	<u>125,110</u>	<u>-</u>	<u>20,416</u>	<u>-</u>	<u>145,526</u>
Depreciation	<u>131,059</u>	<u>10,747</u>	<u>14,002</u>	<u>-</u>	<u>155,808</u>
Operating and maintenance -					
Contract costs	21,209	-	-	-	21,209
Salaries and benefits	54,141	-	-	-	54,141
Supplies	31,201	-	-	-	31,201
Total operating and maintenance expenses	<u>106,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,551</u>
Taxes and insurance -					
Property and liability insurance	55,627	-	-	-	55,627
Payments in lieu of taxes	12,348	-	-	-	12,348
Total taxes and insurance expenses	<u>67,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,975</u>
Utilities -					
Electricity	7,539	-	-	-	7,539
Garbage and trash removal	16,119	-	-	-	16,119
Gas	61,940	-	-	-	61,940
Sewer	17,394	-	-	-	17,394
Water	31,464	-	-	-	31,464
Total utilities expenses	<u>134,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,456</u>
Total expenses	<u>565,151</u>	<u>10,747</u>	<u>34,418</u>	<u>-</u>	<u>610,316</u>
Operating income (loss)	<u>(119,774)</u>	<u>(10,747)</u>	<u>(14,002)</u>	<u>-</u>	<u>(144,523)</u>

(continued)

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Combining Schedule Revenues, Expenses and Changes in Net Assets (continued)
December 31, 2004

	<u>Low Rent</u>	<u>Capital Improvement Assistance Fund Program</u>	<u>Capital Fund Program</u>	<u>Eliminations</u>	<u>TOTAL</u>
<i>Non-operating revenues:</i>					
Capital grant	-	-	164,102	-	164,102
Interest income	1,409	-	-	-	1,409
Other	19,026	-	-	-	19,026
Total non-operating revenues	<u>20,435</u>	<u>-</u>	<u>164,102</u>	<u>-</u>	<u>184,537</u>
Net income	(99,339)	(10,747)	150,100	-	40,014
Net assets, beginning of year	857,575	82,956	455,608	-	1,396,139
Residual equity transfer	<u>195,169</u>	<u>-</u>	<u>(195,169)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 953,405</u>	<u>\$ 72,209</u>	<u>\$ 410,539</u>	<u>\$ -</u>	<u>\$ 1,436,153</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
 Program Number FW-1023

Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2004

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>			
Direct Programs:			
Public and Indian Housing	14.850	LA056-001-04D	\$ 203,556
Public Housing Capital Fund Program	14.872	LA48P056501-01	7,992
		LA48P056501-02	147,794
		LA48P056501-03	14,818
			<u>14,818</u>
			<u>\$ 374,160</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Notes to Expenditures of Federal Awards
Year Ended December 31, 2004

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Housing Authority of the Town of Berwick and is presented on the accrual basis of accounting.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Schedule of Capital Fund Program Costs
Year Ended December 31, 2004

	Grant/Contract Number				TOTAL
	LA48P056501-01	LA48P056501-02	LA48P056501-03	LA48P056502-03	
Funds approved	\$ 237,199	\$ 228,589	\$ 188,079	\$ 37,483	\$ 221,564
Funds expended					
Prior years	229,207	23,405	28,558	-	-
Currently	7,992	147,794	14,818	-	-
Total funds expended	<u>237,199</u>	<u>171,199</u>	<u>43,376</u>	<u>-</u>	<u>-</u>
Excess funds approved	\$ -	\$ 57,390	\$ 144,703	\$ 37,483	\$ 221,564
Funds advanced	\$ 237,199	\$ 173,231	\$ 43,376	\$ -	\$ -
Funds expended	<u>237,199</u>	<u>171,199</u>	<u>43,376</u>	<u>-</u>	<u>-</u>
Excess funds advanced	\$ -	\$ 2,032	\$ -	\$ -	\$ -
					<u>\$ 2,032</u>
					<u>\$ 453,806</u>
					<u>\$ 912,914</u>
					<u>\$ 461,140</u>
					<u>\$ 451,774</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
 Program Number FW-1023

Financial Data Schedule - Balance Sheet
 December 31, 2004

Line Item #	Account Description	Low Rent 14.850a	Comprehensive Improvement Assistance Program	Capital Fund Program (CFP)	TOTAL
ASSETS:					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	367,195	-	-	367,195
114	Cash - tenant security deposits	16,500	-	-	16,500
100	Total cash	383,695	-	-	383,695
Accounts and notes receivables:					
122	Accounts receivable - HUD other projects	-	-	29,572	29,572
125	Accounts receivable - miscellaneous	389	-	-	389
120	Total receivables, net of allowances for doubtful accounts	389	-	29,572	29,961
Current investments					
142	Prepaid expenses and other assets	14,567	-	-	14,567
143	Inventories	1,568	-	-	1,568
144	Interprogram - due from	-	8,771	2,032	10,803
150	TOTAL CURRENT ASSETS	400,219	8,771	31,604	440,594
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	179,085	-	-	179,085
162	Buildings	3,286,237	57,197	182,923	3,526,357
163	Furniture, equipment & machinery - dwellings	101,108	-	7,220	108,328
164	Furniture, equipment & machinery - administration	87,521	34,670	7,111	129,302
165	Leasehold improvements	586,777	-	37,638	624,415
166	Accumulated depreciation	(3,627,537)	(28,429)	(17,718)	(3,673,684)
167	Construction in progress	-	-	193,365	193,365
160	Total fixed assets, net of accumulated depreciation	613,191	63,438	410,539	1,087,168
180	TOTAL NONCURRENT ASSETS	613,191	63,438	410,539	1,087,168
190	TOTAL ASSETS	1,013,410	72,209	442,143	1,527,762
LIABILITIES AND EQUITY:					

HOUSING AUTHORITY OF THE TOWN OF BERWICK
 Program Number FW-1023

Financial Data Schedule - Balance Sheet
 December 31, 2004

Account Description	Low Rent 14.850a	Comprehensive Improvement Assistance Program 14.852	Capital Fund Program (CFP) 14.872	TOTAL
LIABILITIES:				
Current Liabilities				
312 Accounts payable < 90 days	17,633	-	18,416	36,049
321 Accrued wage/payroll taxes payable	738	-	-	738
322 Accrued compensated absences - current portion	7,066	-	-	7,066
341 Tenant security deposits	16,225	-	-	16,225
342 Deferred revenue	-	-	-	-
345 Other current liabilities	-	-	13,188	13,188
347 Inter-program - due to	10,803	-	-	10,803
310 TOTAL CURRENT LIABILITIES	52,465	-	31,604	84,069
Non Current Liabilities				
354 Accrued Compensated Absences - non current	7,540	-	-	7,540
350 TOTAL NONCURRENT LIABILITIES	7,540	-	-	7,540
300 TOTAL LIABILITIES	60,005	-	31,604	91,609
EQUITY:				
508.1 Invested in Capital Assets, Net of Related Debt	613,191	63,438	410,539	1,087,168
512.1 Unrestricted Net Assets	340,214	8,771	-	348,985
513 TOTAL EQUITY/NET ASSETS	953,405	72,209	410,539	1,436,153
600 TOTAL LIABILITIES and EQUITY/NET ASSETS	1,013,410	72,209	442,143	1,527,762

Proof of concept

HOUSING AUTHORITY OF THE TOWN OF BERWICK
 Program Number FW-1023

Financial Data Schedule - Revenue and Expenses
 Year Ended December 31, 2004

Account Description	Low Rent 14,850a	Comprehensive Improvement Assistance Program 14,852	Capital Fund Program (CFP) 14,872	TOTAL
REVENUE:				
703 Net tenant rental revenue	236,554	-	-	236,554
704 Tenant revenue - other	5,267	-	-	5,267
705 Total tenant revenue	241,821	-	-	241,821
706 HUD PHA operating grants	203,556	-	20,416	223,972
706 Capital Grants	-	-	164,102	164,102
711 Investment income - unrestricted	1,409	-	-	1,409
715 Other revenue	19,026	-	-	19,026
700 TOTAL REVENUE	465,812	-	184,518	650,330
EXPENSES:				
Administrative				
911 Administrative salaries	65,270	-	-	65,270
912 Auditing fees	7,100	-	-	7,100
914 Compensated absences	1,476	-	-	1,476
915 Employee benefit contributions- administrative	28,044	-	-	28,044
916 Other operating- administrative	23,220	-	20,416	43,636
Subtotal	125,110	-	20,416	145,526
Utilities				
931 Water	31,464	-	-	31,464
932 Electricity	7,539	-	-	7,539
933 Gas	61,940	-	-	61,940
938 Other utilities expense	33,513	-	-	33,513
Subtotal	134,456	-	-	134,456
Ordinary maintenance & operation				
941 Ordinary maintenance and operations - labor	37,870	-	-	37,870
942 Ordinary maintenance and operations - materials & other	31,201	-	-	31,201
943 Ordinary maintenance and operations - contract costs	21,209	-	-	21,209
945 Employee benefit contributions- ordinary maintenance	16,271	-	-	16,271
Subtotal	106,551	-	-	106,551
General expenses				
961 Insurance premiums	55,627	-	-	55,627
963 Payments in lieu of taxes	12,348	-	-	12,348
Subtotal	67,975	-	-	67,975
969 TOTAL OPERATING EXPENSES	434,092	-	20,416	454,508
970 EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	31,720	-	164,102	195,822

HOUSING AUTHORITY OF THE TOWN OF BERWICK
 Program Number FW-1023

Financial Data Schedule - Revenue and Expenses
 Year Ended December 31, 2004

Account Description	Low Rent 14,850a	Comprehensive Improvement Assistance Program 14,852	Capital Fund Program (CFP)	TOTAL
974 Depreciation expense	131,059	10,747	14,002	155,808
900 TOTAL EXPENSES	365,151	10,747	34,418	610,316
1000 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(99,339)	(10,747)	150,100	40,014
MEMO account information				
1103 Beginning equity	857,575	82,956	455,608	1,396,139
1104 Prior period adjustments, equity transfers and correction of errors	195,169	-	(195,169)	-
1120 Unit months available	1,516	-	-	1,516
1121 Number of unit months leased	1,472	-	-	1,472
Equity Roll Forward Test:				
Calculation from R/E Statement	953,405	72,209	410,539	1,436,153
B/S Line 513	953,405	72,209	410,539	1,436,153
Difference				

REPORTS AND SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Conrad O. Chapman, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*

P.O. Box 3438
Morgan City, LA 70381

Phone (985) 384-2020
Fax (985) 384-3020

WEB SITE:
WWW.KCSRCPAS.COM

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Robert S. Carter, CPA
Allen J. LaBry, CPA
Harry J. Clostio, CPA
Al Leger, CPA
Penny Angella Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Kelly M. Doucet, CPA
Kenneth J. Rachal, CPA
Cheryl L. Bartley, CPA, CVA
Mandy B. Self, CPA

* A Professional Accounting Corporation

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

The Board of Commissioners
The Housing Authority of the Town of Berwick
Berwick, Louisiana

We have audited the financial statements of Housing Authority of the Town of Berwick, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the Town of Berwick's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Housing Authority of the Town of Berwick's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as Item 2004-01.

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. Our 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. We believe the reportable condition described above is a material weakness.

183 South Beadle Road
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge Street
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddill
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

408 W Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

Compliance and other matters

As part of obtaining reasonable assurance about whether Housing Authority of the Town of Berwick's financial statements are free from material misstatement, we performed tests of its compliance and other matters with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and is not intended to be and should not be used by anyone other than specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 6, 2005

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Schedule of Findings and Questioned Costs
Year Ended December 31, 2004

Part I. Summary of Auditor's Results:

1. An unqualified opinion was issued on the financial statements.
2. A reportable condition in internal control was disclosed by the audit of the financial statements and the condition is considered to be a material weakness.
3. No instances of noncompliance were disclosed by the audit of the financial statements.
4. A reportable condition in internal control over the major program was disclosed by the audit of the financial statements and the condition is considered to be a material weakness.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2004

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

- A. Compliance Findings -
There were no findings to be reported under this section.
- B. Internal Control Findings-

2004-01 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2004

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

Not Applicable

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1023

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2004

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
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Section I - Internal control and compliance material to financial statements

Internal Control

2003-01	2000	Inadequate segregation of duties in the summarization, processing, reporting and reconciliation of accounting data.	N/A	See corrective action plan for current year findings
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Compliance

No items are applicable to this section.

Section II - Other internal control and compliance

Internal Control

Compliance

No items are applicable to this section.

HOUSING AUTHORITY OF THE TOWN OF BERWICK
 Program Number FW-1023

Corrective Action Plan for Current Year Findings
 Year Ended December 31, 2004

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Planned	Name of Contact Person	Anticipated Date Of Completion
Section I - Internal control and compliance material to financial statements					
<u>Internal Control</u>					
2004-01	2000	Inadequate segregation of duties in the summarization, processing, reporting and reconciliation of accounting data.	The Authority will have this problem continually due to the budget. The Authority budget does not allow for a large staff, but we have automated the office to be able to process reports, review tenant files, and process billing. We will continue to work on implementing procedures to improve this condition.	Clarence Robinson, Executive Director	Undetermined

Compliance

No items are applicable to this section.

Section II - Other internal control and compliance

Internal Control

No items are applicable to this section.

Compliance

No items are applicable to this section.