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**HOUSING AUTHORITY OF THE
TOWN OF BERWICK**

Program Number FW-1423

Financial Report
Year Ended December 31, 2003

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

Release Date 7-18-04

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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 (a nonprofit organization), as of December 31, 2005, and the related statement 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 June 7, 2004 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 and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information listed in the table of contents 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. Additionally, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Revised Circular A-113, *Guide for States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the 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.

Kolter, Champagne, Slavin & Company, LLC
Certified Public Accountants

Morgan City Louisiana
June 7, 2004

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWN OF BIRMINGHAM
Program Number PW-1001

Statement of Net Assets
December 31, 2003

ASSETS

Current assets:	
Cash	\$ 212,643
Short term investments	123,681
Receivables	
HUD	22,819
Accrued interest	393
Inventory	903
Prepaid expenses	79,727
Total current assets	<u>380,146</u>
Restricted assets:	
Tenant deposits held in trust	<u>16,158</u>
Total restricted assets	<u>16,158</u>
Property and equipment:	
Land	179,885
Buildings	3,944,517
Building equipment (portable)	189,397
Office furniture and equipment	24,122
Maintenance equipment	26,145
Nonworking equipment	34,679
Automotive equipment	41,394
Construction in progress	<u>121,899</u>
Total fixed assets	4,588,129
Less: accumulated depreciation	<u>3,120,892</u>
Net fixed assets	<u>1,467,237</u>
Total assets	<u>\$ 1,474,133</u>

This accompanying note is an integral part of this statement.

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 13,042
Accrued wages payable	13,129
Accrued property taxes	12,629
Miscellaneous current liabilities	<u>544</u>
Total current liabilities	<u>59,344</u>
Other liabilities:	
Taxant deposits held in trust	<u>16,890</u>
Net assets:	
Unrestricted	<u>1,295,131</u>
Total liabilities and net assets	\$ <u>1,471,371</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-1021

Statements of Revenue, Expenses and Changes in Net Assets
Year Ended December 31, 2005

Revenue	<u>404,827</u>
Expenses:	
Administrative	91,088
Depreciation	112,424
Legal and professional	4,370
Operating and maintenance	107,168
Taxes and insurance	105,123
Utilities	<u>91,211</u>
Total expenses	<u>511,884</u>
Operating loss	<u>(146,957)</u>
Non-operating revenues:	
Capital grant	418,773
Interest income	<u>2,394</u>
Total non-operating revenues	<u>421,167</u>
Net income	274,190
Net assets, beginning of year	<u>1,121,649</u>
Net assets, end of year	<u>1,395,839</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE TOWN OF BELLEVILLE
Program Number: FA-0000

Statements of Cash Flows
Year Ended December 31, 2003

OPERATING ACTIVITIES:	
Revenue collected	433,973
Paid to suppliers and employees	<u>(456,686)</u>
Net cash used for operating activities	<u>(22,713)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Grant proceeds	418,779
Purchase/Construction of capital assets	<u>(458,082)</u>
Net cash used for capital related financing activities	<u>(39,303)</u>
INVESTING ACTIVITIES:	
Purchase Securities	(2,239)
Interest income	<u>2,899</u>
Net cash provided by investing activities	<u>660</u>
Net decrease in cash	(66,756)
Cash and cash equivalents, beginning	<u>398,800</u>
Cash and cash equivalents, ending	<u>\$ 332,044</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Loss from operations	1 (346,878)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -	
Depreciation	152,434
Increase or decrease in:	
Accounts receivable	31,346
Inventories	1,976
Prepaid expenses	(148)
Accounts payable	(60,887)
Accrued expenses	(184)
Trust deposits held in trust	<u>832</u>
Net cash used for operating activities	<u>\$ (20,711)</u>

The accompanying notes are an integral part of this statement.

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Organization and Operations

The Authority is a 110-unit apartment complex for persons of low income located in Berwick, Louisiana. The Authority was organized for the purpose of providing decent, safe and sanitary dwelling for persons of low income.

Legal title to the Authority is held by Housing Authority of the Town of Berwick, a non-profit corporation. The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the Town of Berwick, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U. S. Department of Housing and Urban Development (HUD). The annual contribution contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities for eligible individuals.

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 and the Authority's operations and data from those 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, 2000, 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.

C. Fund Accounting

The Authority is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

HOUSING AUTHORITY OF THE TOWN OF BERWICK

Program Number: FW-1811

Notes to Financial Statements

The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in preparing financial statements and related disclosures unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

D. Income Taxes

Housing Authority of the Town of Berwick is a non-profit corporation and is exempt from federal income taxes under Section 501(c)(17) of the Internal Revenue Code of 1986 and is an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax.

E. 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.

F. 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 - 8 years
Site and Building Improvements	15 years
Nonbuilding Structures	15 years

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

G. Distributions

The Authority's regulatory agreement with HUD stipulates, among other things, that the Authority will not make distributions of assets or income to any of its officers or directors.

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

Notes to Financial Statements

H. 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.

I. 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 CMAP and CFF 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 construction 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.

J. 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 probationary 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.

K. Compensated Absence

Employees earn annual leave based upon years of service, and may accrue up to 308 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued annual leave is paid. The liability for compensated absence is \$13,139.

L. Inventories

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

HOUSING AUTHORITY OF THE TOWN OF BIRWICK
Program Number FW-0023

Notes to Financial Statements

N. Change in Accounting Principle

Effective October 1, 2002, the Housing Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet or statement of net assets, a statement of revenues, expenditures and changes in net assets, and a statement of cash flows utilizing the direct method of presentation. The statement requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** – capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- **Restricted** – constraints placed on net assets are imposed by external creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – net assets that do not meet the criteria for "invested in capital assets, net of related debt" or "restricted".

HOUSING AUTHORITY OF THE TOWN OF BERNICE
Program Number FW-1025

Notes to Financial Statements

(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, 2003, the Authority had cash and interest-bearing deposits (bank balances) totaling \$279,188.

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, 2003, and the related federal insurance and pledged securities:

Bank balances	<u>\$279,188</u>
Federal deposit insurance	\$216,850
Pledged securities (Category 3)	<u>102,148</u>
Total federal insurance and pledged securities	<u>\$279,188</u>

Pledged securities in Category 3 includes unsecured 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 36:1229 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) Net Assets

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

(4) Rent Income

Under the regulatory agreement, the Authority may not increase rents charged to tenants without HUD approval. The monthly rent is based on the household's income.

HOUSING AUTHORITY OF THE TOWN OF BERWICK

Program Number FW-1023

Notes to Financial Statements

(3) Functional Allocation of Expenses

Expenditures incurred in connection with Authority operations and expenditures made for corporate (mortgage entity) purposes have been summarized on a functional basis in the statement of activities.

(6) Current Vulnerability Due to Certain Concentrations

The Authority's major asset is a 110-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.

SUPPLEMENTAL INFORMATION

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

Statements of Revenue
Year Ended December 31, 2003

UNRESTRICTED ASSETS:

Revenue -	
Rent revenue - gross potential	\$ 133,709
Tenant assistance payments	174,847
Miscellaneous rent revenue	<u>4,785</u>
Total rent revenue	<u>403,251</u>
CFP funds current year	418,715
Interest income	2,964
Miscellaneous revenue	<u>2,475</u>
Total other revenue	<u>423,942</u>
Total revenue	<u>\$ 827,193</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number FW-0023

Statements of Expenses
Year Ended December 31, 2000

EXPENSES:	
Conventions and meetings	1,673
Bookkeeping fees/Accounting services	4,683
Office salaries	64,334
Office expenses	11,181
Audit expense	9,243
Miscellaneous administrative expenses	<u>3,058</u>
Total administrative expenses	<u>97,672</u>
Electricity	5,808
Gas	46,358
Sewer	13,466
Water	<u>32,578</u>
Total utilities expense	<u>98,210</u>
Payroll	34,908
Supplies	30,868
Contracts	10,387
Garbage and trash removal	12,748
OFF soft costs	15,518
Miscellaneous operating and maintenance expenses	<u>12,725</u>
Total operating and maintenance expenses	<u>187,354</u>
Real estate taxes	13,628
Payroll taxes (project's share)	7,378
Property and liability insurance (bond)	48,061
Health insurance and other employee benefits	<u>25,872</u>
Total taxes and insurance	<u>95,939</u>
Legal expenses	4,579
Total cost of operations before depreciation	<u>390,362</u>
Depreciation expense	<u>151,434</u>
Total expenses	<u>541,806</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number PW-1021

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2000

<u>Grant/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development:		
Low Income Housing Operating Subsidy	14.850	\$ 174,847
Capital Fund Program	14.872	402,831
Comprehensive Improvement Assistance Program	14.883	<u>87,097</u>
		<u>\$ 664,775</u>

HOUSING AUTHORITY OF THE TOWN OF BERWICK

Notes to Expenditures of Federal Awards
Year Ended December 31, 2003

(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 PW-1822

Supplemental Data Required by HUD
December 31, 1993

COMPUTATION OF SURPLUS CASH - ANNUAL

Cash	\$ 151,134
Tenant vouchers due	<u>21,819</u>
	<u>179,313</u>
Current obligations:	
Accounts payable	51,848
Accrued expenses	21,383
Tenant security deposits	<u>18,890</u>
Total current obligations	<u>72,021</u>
Surplus cash (deficiency)	\$ <u>207,292</u>

(continued)

HOUSING AUTHORITY OF THE TOWN OF BERWICK
 Program Number (F90-000)

Supplemental Data Required By RLED (Continued)
 December 31, 2000

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 179,085	\$ -	\$ -	\$ 179,085
Buildings	3,668,966	276,150	-	3,945,116
Building equipment	185,932	9,389	2,824	192,497
Office furniture and equipment	24,122	-	-	24,122
Maintenance equipment	24,929	1,218	-	26,147
Nonworking equipment	24,870	-	-	24,870
Motor vehicles	43,090	-	-	43,090
Construction in progress	21,668	180,810	-	216,698
Total	<u>44,123,966</u>	<u>2,468,667</u>	<u>2,824</u>	<u>46,594,810</u>
Accumulated depreciation	<u>11,371,492</u>	<u>5,132,424</u>	<u>2,824</u>	<u>16,506,740</u>

**REPORTS AND SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS
AND OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

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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 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, 2005, and have issued our report thereon dated June 7, 2004. 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.

Compliance

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 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.

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 08-01.

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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.

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 24:113 and 4406, this report is a matter of public record and its distribution is not limited.

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

Morgan City, Louisiana
June 7, 2004

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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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

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

Compliance

We have audited the compliance of the Housing Authority of the Town of Berwick (the Authority), 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 its major federal program for the year ended December 31, 2003. The Authority's major federal program is 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 its major federal program is the responsibility of the Authority's administration. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, *Audit of State, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

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Internal Control Over Financial Reporting

The administration of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs and identified in the corrective action plan for current year findings as item 08-01.

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 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. Our 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. We noted a certain matter involving the internal control over compliance and its operation that we consider a material weakness, which is described in the accompanying schedule of findings and questioned costs and identified in the corrective action plan for current year findings as item 09-01.

This report is intended solely for the information of management, the Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties. However, under the provisions of Louisiana Revised Statutes 24:512 and 44:6, this report is a matter of public record and its distribution is not limited.

Koller, Champagne, Steven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
June 7, 2004

HOUSING AUTHORITY OF THE TOWN OF BERWICK
Program Number F30-0023

Schedule of Findings and Questioned Costs
Year Ended December 31, 2000

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.
5. An unqualified opinion was issued on compliance for the major program.
6. The audit disclosed no audit findings required to be reported under Section 316(a) of Circular A-132.
7. The major program was:

Capital Fund Program; received directly from the United States Department of Housing and Urban Development (CFDA No 14.812).
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 316(b) of Circular A-132 was \$904,000.
9. The auditor did not qualify as a low-risk auditor under Section 330 of Circular A-133.

HOUSING AUTHORITY OF THE TOWN OF BURLINGAME
Program Number F98-0021

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2003

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-

Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS93, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS95, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 35, 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 condition 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 defractions 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.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 310(a) of Circular A-133:

The audit did not disclose any instances of material noncompliance findings or questioned costs relative to its federal programs.

HOUSING AUTHORITY OF THE TOWN OF BERLIN
Program Number 054-102

Summary Schedule of Prior Audit Findings
Year Ended December 31, 1983

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

Internal Control

84-41	2000	Incomplete segregation of duties in the authorization, processing, recording and reconciliation of accounting data.	N/A	See remedial 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 SEBASTIAN
 Program Number PA-103

Compliance Action Plan for Current Year Findings
 Year Ended December 31, 2003

Fiscal Year Finding Initially Reported	Description of Finding	Compliance Action Planned	Name of Contact Person	Anticipated Date Of Completion
2003	Inadequate segregation of duties in the authorization, processing, reporting and reconciliation of accounting data.	The authority will have this problem substantially due to the budget. The authority budget does not allow for a large staff, but we have estimated the effort to be able to process reports, review travel files, and process billing. We will continue to work on implementing provisions to improve this condition.	Clarence Robinson, Executive Director	Undetermined

Section I - Internal control and compliance material to financial statements

Internal Control

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.