

BERWICK DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2003

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Berwick Development District
Berwick, Louisiana

We have audited the accompanying general purpose financial statements of the Berwick Development District, a component unit of the Town of Berwick, Louisiana, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's officials. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Berwick Development District as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2004, on our consideration of the District's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of Berwick Development District.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
January 30, 2004

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GENERAL PURPOSE FINANCIAL STATEMENTS

BERWICK DEVELOPMENT DISTRICT

Combined Balance Sheet - Governmental Fund Type and Account Group
December 31, 2003

	<u>2003</u>		Totals (Memorandum Only)	
	<u>Governmental Fund Type</u>	<u>Account Group</u>		
	General Fund	General Fixed Assets		
ASSETS AND OTHER DEBITS				
Cash	\$ 272,114	\$ -	\$ 272,114	\$ 121,140
Due from lot sales	78,073	-	78,073	26,500
Property, plant and equipment	<u>-</u>	<u>2,544,530</u>	<u>2,544,530</u>	<u>2,543,010</u>
Total assets and other debits	<u>\$ 350,187</u>	<u>\$ 2,544,530</u>	<u>\$ 2,894,717</u>	<u>\$ 2,690,650</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 43	\$ -	\$ 43	\$ 124
Due to other governments	<u>55,000</u>	<u>-</u>	<u>55,000</u>	<u>-</u>
Total liabilities	<u>55,043</u>	<u>-</u>	<u>55,043</u>	<u>124</u>
Fund equity:				
Investment in general fixed assets	-	2,544,530	2,544,530	2,543,010
Fund balance - Unreserved, undesignated	<u>295,144</u>	<u>-</u>	<u>295,144</u>	<u>147,516</u>
Total fund equity	<u>295,144</u>	<u>2,544,530</u>	<u>2,839,674</u>	<u>2,690,526</u>
Total liabilities and fund equity	<u>\$ 350,187</u>	<u>\$ 2,544,530</u>	<u>\$ 2,894,717</u>	<u>\$ 2,690,650</u>

The accompanying notes are an integral part of this statement.

BERWICK DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Governmental Fund Type-Budget (GAAP Basis) and Actual
 Year Ended December 31, 2003
 With Comparative Actual Amounts for Year Ended December 31, 2002

	2003		Variance - Favorable/ (Unfavorable)	2002 Actual
	Budget	Actual		
Revenues:				
Proceeds from lot sales	\$ 342,000	\$ 395,809	\$ 53,809	\$ 234,167
Miscellaneous - other				
Assessments	600	1,100	500	600
Interest	100	907	807	998
Other	<u>1,000</u>	<u>1,445</u>	<u>445</u>	<u>2,934</u>
Total revenues	<u>343,700</u>	<u>399,261</u>	<u>55,561</u>	<u>238,699</u>
Expenditures:				
Current -				
General government:				
Advertising	800	52	748	901
Appropriation to the Town of Berwick	229,513	229,556	(43)	217,864
Miscellaneous	100	76	24	-
Professional fees	17,680	17,288	392	11,877
Office supplies	-	-	-	75
Repairs and maintenance	100	300	(200)	36
Supplies	-	2,841	(2,841)	93
Capital outlay	<u>-</u>	<u>1,520</u>	<u>(1,520)</u>	<u>-</u>
Total expenditures	<u>248,193</u>	<u>251,633</u>	<u>(3,440)</u>	<u>230,846</u>
Excess of revenues over expenditures	95,507	147,628	52,121	7,853
Fund balance, beginning	<u>147,516</u>	<u>147,516</u>	<u>-</u>	<u>139,663</u>
Fund balance, ending	<u>\$ 243,023</u>	<u>\$ 295,144</u>	<u>\$ 52,121</u>	<u>\$ 147,516</u>

The accompanying notes are an integral part of this statement.

BERWICK DEVELOPMENT DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Berwick Development District was created by an ordinance dated May 15, 1996 of the Town of Berwick, Louisiana under the authority of RS33:2740.31. The District operates under a Board of Commissioners. The purpose of the District is to acquire and develop real property within the corporate limits of the Town of Berwick for purposes of residential and economic development.

The accounting and reporting policies of the Berwick Development District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

Because the Town of Berwick provides financing and office space to the District and appoints members of the governing body of the District, the District was determined to be a component unit of the Town of Berwick, the financial reporting entity. However, the Town exercises no control over the District's operations nor can the Town remove any members of the governing body of the District. The accompanying financial statements present information only on the funds maintained by the District and do not present information of the Town of Berwick, or the general government services provided by the Town of Berwick.

Fund Accounting

The accounts of the District are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in the fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund -

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources of the District.

BERWICK DEVELOPMENT DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Group -

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. All fixed assets are valued at historical costs. No depreciation is recorded on general fixed assets.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District as an extension of formal budgetary integration in the funds.

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements.

BERWICK DEVELOPMENT DISTRICT

Notes to Financial Statements

NOTE 2 COMMISSIONERS' COMPENSATION

During the year ended December 31, 2003, none of the commissioners were compensated for their services to the Districts.

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District 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. At December 31, 2003, the District has cash (book balance) totaling \$272,114 as follows:

Demand deposits	<u>\$ 272,114</u>
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This deposit is stated at cost, which approximates market. Under state law, this deposit (or the resulting bank balance) 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. Deposit balance (bank balance) at December 31, 2003, is secured as follows:

Bank balance	<u>\$ 272,186</u>
Federal deposit insurance	106,333
Pledged security (Category 2)	<u>322,950</u>
Total	<u>\$ 429,283</u>
Excess	<u>\$ 157,097</u>

NOTE 4 CHANGES IN FIXED ASSETS

The following is a summary of changes in general fixed assets for the fiscal year:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Subdivision	<u>\$ 2,543,010</u>	<u>\$ 1,520</u>	<u>\$ -</u>	<u>\$ 2,544,530</u>

BERWICK DEVELOPMENT DISTRICT

Notes to Financial Statements

NOTE 5 PENDING LITIGATION

The District is presently not involved in any litigation.

NOTE 6 INTERGOVERNMENTAL AGREEMENT

On January 15, 1997, the District entered into an intergovernmental agreement with the Town of Berwick for the development and construction of Renwick Subdivision for residential expansion. The agreement stated that the Town of Berwick would transfer ownership of approximately 73.5 acres of land purchased for the development site. In exchange, the District would reimburse the Town of Berwick for all costs incurred by the Town for the purchase and development of the land as a subdivision.

During the year ended December 31, 1999, the Town of Berwick issued \$2,600,000 in certificates of indebtedness to finance the development of Renwick Subdivision. The proceeds were used to construct infrastructure and utility improvements in the development. It is anticipated that repayment will be funded with proceeds derived from sales of lots in the development. During the year ended December 31, 1999, the Town of Berwick transferred title to approximately 30 acres of the 73.5 acres to the District. This parcel had been developed as the first phase of the Renwick development. The Town incurred costs totaling \$2,453,558 to develop the property.

In 2001, the Town of Berwick refinanced the balance of \$1,655,000 of certificates of indebtedness. This refinancing extended the payment from 2004 to year 2011, and reduced yearly obligations to principle payments of \$163,500 plus interest at 4.75%.

Upon taking title to the property, the District commenced selling the residential lots to the public. In accordance with the terms of the agreement, the District transferred funds totaling \$229,556 during the year ended December 31, 2003 to the Town. These proceeds were used by the Town to satisfy debt service requirements of the \$2,600,000 certificates of indebtedness issued by the Town to finance the property's development.

**INTERNAL CONTROL
AND
COMPLIANCE**



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
Berwick Development District
Berwick, Louisiana

We have audited the general purpose financial statements of the Berwick Development District, a component unit of the Town of Berwick, Louisiana, as of and for the year ended December 31, 2003, and have issued our report thereon dated January 30, 2004. We have 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 the Berwick Development District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 Berwick Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one 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 District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

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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 general purpose 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. However, we believe the reportable condition described as 2003-1 is a material weakness.

This report is intended for the information and use of the District's Board of Commissioners, Louisiana Legislative Auditor, management and others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Morgan City, Louisiana
January 30, 2004

BERWICK DEVELOPMENT DISTRICT

Summary Schedule of Prior Year Findings
Year Ended December 31, 2003

2002-1 Finding: Inadequate Segregation of Accounting Functions
 Status: This finding is unresolved. See current year finding 2003-1.

BERWICK DEVELOPMENT DISTRICT

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

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on the Berwick Development District's financial statements as of and for the year ended December 31, 2003.

Reportable Condition – Financial Reporting

One reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2003-1 in Part 2 and is considered a material weakness.

Material Noncompliance – Financial Reporting

There were no instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended December 31, 2003.

Part 2: Findings Relating to an Audit in Accordance with Governmental Auditing Standards

2003-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the District did not have adequate segregation of functions within its accounting system.

Recommendation:

Based upon the size of the operation and the cost benefit of additional personnel it may not be feasible to achieve complete segregation of duties.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 2003, the Berwick Development District, did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

BERWICK DEVELOPMENT DISTRICT

Management's Corrective Action Plan For Current Year Findings
Year Ended December 31, 2003

Response to Finding 2003-1:

No response is considered necessary.