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ST. TAMMANY PARISH DEVELOPMENT DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2003

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 8/11/04

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
St. Tammany Parish Development District
St. Tammany Parish, Louisiana

We have audited the accompanying general purpose financial statements of the St. Tammany Parish Development District as of December 31, 2003 and for the two years then ended. These financial statements are the responsibility of the District'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 *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 St. Tammany Parish Development District as of December 31, 2003, and the results of its operations for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements as a whole. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the St. Tammany Parish Development District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards* we have also issued a report dated March 8, 2004, on our consideration of the St. Tammany Parish Development District's internal control over financial reporting and on our tests of its compliance with 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.

March 8, 2004

Smith, Huval & Associates, L.L.C.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2003

| | Governmental Fund Type | Account Group | Total |
|------------------------------------|---------------------------|----------------------------|----------------------|
| | General | General Fixed Assets | (Memorandum Only) |
| ASSETS | | | |
| Cash | \$ 128,134 | \$ - | \$ 128,134 |
| Due from State of Louisiana | 179,007 | - | 179,007 |
| Construction in progress | - | 2,629,472 | 2,629,472 |
| Land | - | 400,000 | 400,000 |
| Total assets | \$ 307,141 | \$ 3,029,472 | \$ 3,336,613 |
| LIABILITIES | | | |
| Accounts payable | \$ 184,807 | \$ - | \$ 184,807 |
| Due to State of Louisiana | 93,721 | - | 93,721 |
| Total liabilities | 278,528 | - | 278,528 |
| FUND EQUITY | | | |
| Investment in general fixed assets | - | 3,029,472 | 3,029,472 |
| Fund balance - unreserved | 28,613 | - | 28,613 |
| Total fund equity | 28,613 | 3,029,472 | 3,058,085 |
| Total liabilities and fund equity | \$ 307,141 | \$ 3,029,472 | \$ 3,336,613 |

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

For the Years Ended December 31, 2003 and 2002

| | 2003 | | | 2002 | | |
|---|--------|-----------|---|--------|------------|---|
| | Budget | Actual | Variance- Favorable (Unfavorable) | Budget | Actual | Variance- Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Intergovernmental | | | | | | |
| State of Louisiana | \$ - | \$ 88,360 | \$ 88,360 | \$ - | \$ 130,572 | \$ 130,572 |
| Grants | - | 409,439 | 409,439 | - | 2,229,038 | 2,229,038 |
| Miscellaneous: | | | | | | |
| Interest earned | - | - | - | - | 805 | 805 |
| Folgers payments | - | 82,500 | 82,500 | - | - | - |
| Reimbursement income | - | 47,538 | 47,538 | - | 41,911 | 41,911 |
| Lease income | - | 12,000 | 12,000 | - | 13,000 | 13,000 |
| Other | - | - | - | - | 6,230 | 6,230 |
| Total revenues | - | 639,837 | 639,837 | - | 2,421,556 | 2,421,556 |
| EXPENDITURES | | | | | | |
| Economic development support | - | 122,998 | (122,998) | - | 160,758 | (160,758) |
| Legal and professional | - | 50,146 | (50,146) | - | 43,991 | (43,991) |
| Acquisition of equipment and infrastructure | - | 409,439 | (409,439) | - | 2,229,038 | (2,229,038) |
| Service fee | - | 65,000 | (65,000) | - | - | - |
| Other | - | 7,775 | (7,775) | - | - | - |
| Total expenditures | - | 655,358 | (655,358) | - | 2,433,787 | (2,433,787) |
| Excess (deficiency) of revenues over expenditures | \$ - | (15,521) | (15,521) | \$ - | (12,231) | (12,231) |
| FUND BALANCES - BEGINNING OF YEAR | | 44,134 | | | 56,365 | |
| FUND BALANCES - END OF YEAR | \$ - | 28,613 | | \$ - | 44,134 | |

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Tammany Parish Development District was established for the object and purpose of promoting and encouraging development of economic and industrial opportunities, stimulating the economy of the parish and utilizing and developing the natural and human resources of the parish by providing job opportunities.

1. Reporting Entity

The District was created by the State of Louisiana Revised Statutes 33:130.401 to 33:130.409. It was reestablished as a separate political body under the provisions of Article VI, Section 44 of the Constitution of Louisiana. The District is governed by a board of commissioners which are appointed as follows:

- a. Two members appointed by the St. Tammany Parish Council who serve one year terms.
- b. Two members appointed by the Municipal Association in St. Tammany Parish who serve one year terms.
- c. Two members appointed by the United Chambers of Commerce in St. Tammany Parish who serve one year terms.
- d. Five members appointed by the St. Tammany Economic Development Foundation who serve staggered terms of one, two, and three years.
- e. One member appointed by the St. Tammany Parish president who serves as an ex-officio nonvoting member.
- f. One member is the executive director of the St. Tammany Economic Development Foundation who serves as an ex-officio nonvoting member.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which governmental entities are primary governments or component unit. A component unit is a government who is financially accountable to another government or one for which another government can exert influence over its budget and operations. As no entity appoints a majority of its commissioners, the District is considered to be a primary government. The District does not have any component units.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting

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

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

The governmental fund accounts for the District's general activities including the collection and disbursement of specific or legally restricted monies and, the acquisition or construction of general fixed assets. The governmental fund of the District includes the General Fund which is the general operating fund of the District and accounts for all financial resources.

3. 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 focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance. The modified accrual basis of accounting is used by the governmental fund.

Each state fiscal year the Louisiana Legislature has the authority to appropriate funds from state sales tax collections to be distributed to local governments throughout the state to be used for tourism and economic development including support for historic preservation and arts and humanities. The amounts appropriated for the state fiscal years ending December 31, 2003 and 2002 have been recorded in these financial statements. Payments are made quarterly.

4. Budgets and Budgetary Accounting

The District did not adopt an operating budget for the years ended December 31, 2003 and 2002.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

6. General Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. No depreciation has been provided on general fixed assets. All equipment is valued at historical costs.

NOTE B - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2003:

| | |
|-----------------|------------------|
| Demand deposits | <u>\$128,134</u> |
|-----------------|------------------|

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2003, the District had \$134,135 in deposits (collected bank balances) of which \$100,000 is covered by federal deposit insurance. The remaining \$34,135 is unsecured at December 31, 2003. This is a violation of LRS 39:219.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE C - RELATED PARTY TRANSACTIONS

The District utilizes the offices and services of the St. Tammany Economic Development Foundation. The Foundation is a non-profit organization established for the purpose of promoting and encouraging economic development within St. Tammany Parish. Many of the District's board members are also active members of the Foundation. During the year ended December 31, 2003 and 2002, the District made payments to the Foundation of \$122,998 and \$160,758, respectively. At December 31, 2003, the District had no liability due to the Foundation.

NOTE D - GENERAL FIXED ASSETS

The changes in general fixed assets are as follows for the years ended December 31, 2003 and 2002:

| | <u>Land</u> | <u>Construction in Progress</u> | <u>Total</u> |
|---------------------------|-------------------|-------------------------------------|--------------------|
| Balance January 1, 2002 | \$ 400,000 | \$ - | \$ 400,000 |
| Additions | <u>-</u> | <u>2,229,038</u> | <u>2,229,038</u> |
| Balance December 31, 2002 | 400,000 | 2,229,038 | 2,629,038 |
| Additions | <u>-</u> | <u>400,434</u> | <u>400,434</u> |
| Balance December 31, 2003 | <u>\$ 400,000</u> | <u>\$2,629,472</u> | <u>\$3,029,472</u> |

NOTE E - CONDUIT DEBT OBLIGATIONS

During the years ended December 31, 2003 and 2002, the District issued two taxable revenue bonds to provide funding for the construction of facilities for two private companies. The bonds are secured by the property and facilities. Neither the District nor the State of Louisiana is obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2003, the Series 2002 Taxable Revenue Bonds principal amounts payable totaled \$15,380,000 and the Series 2003 Taxable Revenue Bonds principal amounts payable totaled \$25,000,000.

NOTE F - LEASES

Pursuant to the taxable revenue bonds described above, the District has entered into lease agreements with the two private companies. The first agreement was dated April 1, 2002 and expires, unless terminated sooner, on July 1, 2022, or if all bonds are not yet retired, on July 1, 2024. The monthly lease payment is \$1,000. The company has the option to purchase the property for the sum of amount needed to retire remaining bonds, the cost and fees of the District and \$1,000.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE F - LEASES - (Continued)

The second agreement was dated June 1, 2003 and expires on August 1, 2023 or at such time when all bonds are retired. The lease requires an initial payment of \$15,000 at commencement of lease and \$2,500 in following years. Also the lease requires a payment of between \$55,000 and \$75,000 as long as the company is exempt from ad valorem taxes. The District is required to pay 80% of this payment to St. Tammany Parish Fire Protection District No. 3 and 20% to Recreation District No. 4 of St. Tammany Parish. The company has the option to purchase the property for the sum of amount needed to retire remaining bonds, the cost and fees of the District, the amount of above payments accrued to date, and \$1,000. The land was purchased by the company and was donated to the District. As the District considers the value of the land to be insignificant, the land has not been recorded as an general fixed asset of the District.,

SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

SCHEDULE OF GOVERNING BOARD

December 31, 2003

Compensation

| | |
|--|--------|
| Peter Link 728 E. Independence Covington, Louisiana 70433 | \$ -0- |
| Denis Bechac 64030 Hwy. 434 Lacombe, Louisiana 70445 | -0- |
| Dave Anderson 1411 Gause Blvd. Slidell, Louisiana 70458 | -0- |
| Evans Spiceland 123 W. Ruelle Mandeville, Louisiana 70471 | -0- |
| Mike Pike 55285 Highway 433 Slidell, Louisiana 70461 | -0- |
| Nixon Adams 133 Mable Dr. Mandeville, Louisiana 70447 | -0- |
| Danny Schaus 1530 Dove Park Rd. Mandeville, Louisiana 70471 | -0- |
| Hyatt Hood 304 W. 18 th Street Covington, Louisiana 70433 | -0- |
| Bill Oiler P. O. Box 628 Covington, Louisiana 70434 | -0- |
| Greg Gorden P. O. Box 628 Covington, Louisiana 70434 | -0- |

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

SCHEDULE OF GOVERNING BOARD (Continued)

December 31, 2003

| | <u>Compensation</u> |
|--|---------------------|
| Marti Livaudais 2250 East Gause Blvd. Slidell, Louisiana 70461 | \$ -0- |
| Dewey Spies 59232 Pine Bay Lane Lacombe, Louisiana 70445 | -0- |

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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*

To the Board of Commissioners
St. Tammany Parish Development District
St. Tammany Parish, Louisiana

We have audited the financial statements of the St. Tammany Parish Development District as of December 31, 2003 and for the two years then ended and have issued our report thereon dated March 8, 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.

As part of obtaining reasonable assurance about whether the St. Tammany Parish Development District's 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs.

In planning and performing our audit, we considered the St. Tammany Parish Development District'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and the Louisiana Legislative Auditor and is not intended and should not be used by any other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 8, 2004

Smith, Huval & Associates, L.L.C.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
ST. TAMMANY PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COST

December 31, 2003

| | |
|----------------------|---|
| 2003-1 | Budget |
| Condition: | In the years ending December 31, 2003 and 2002, the District did not adopt a budget for its general fund. |
| Criteria: | LRS 39:1303 requires that local governments adopt an annual operating budget. |
| Cause: | The District is a relatively new government. |
| Recommendation: | The District should adopt a budget for the year ending December 31, 2004 as soon as possible. |
| Management Response: | The District will begin adopting operating budgets on an annual basis in accordance with LRS 39:1303. |
| 2003-2 | Collateral for Deposits |
| Condition: | At December 31, 2003, the District had deposits (bank balances) of \$134,135. The District's bank did not pledge securities as collateral for the amount over FDIC insurance coverage of \$100,000. |
| Criteria: | LRS 39:1219 requires banks to pledge securities for government deposits in excess of FDIC insurance coverage. |
| Cause: | By mistake, the District's bank did not have it classified as a local government. |
| Recommendation: | The District should coordinate with its bank and ensure that all deposits are adequately collateralized. |
| Management Response: | The District will contact its bank and inform them of the District's status as a local government. The District will monitor compliance with LRS 39:1219 periodically. |