

ST. TAMMANY PARISH DEVELOPMENT DISTRICT**Financial Statements as of December 31, 2012 and 2011
and for the Years Then Ended
and Independent Auditors' Report**

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 **JUN 26 2013**

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

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Silva Gurtner & Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of St Tammany Parish Development District (the District), as of and for the years ended December 31, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the St Tammany Parish Development District as of December 31, 2012 and 2011, and the respective changes in financial

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position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 6 and page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The schedule of compensation paid to board members is presented for the purposes of additional analysis and is not a required part of the financial statements. The schedule of compensation paid to board members is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Silva Gurtner & Abney, LLC

February 12, 2013

REQUIRED SUPPLEMENTARY INFORMATION (PART I)

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED DECEMBER 31, 2012**

The basic financial statements include government-wide and governmental fund statements. The government-wide Statements of Net Position and Statements of Activities and Changes in Net Position present information for all the activities of the District's office, from an economic resources measurement focus using the accrual basis of accounting. Primarily, for our office, the difference between these statements and Governmental fund statements is that assets are capitalized and depreciated over their estimated useful life versus expensed in the Governmental fund statements. The Balance Sheets – General Fund detail the assets and liabilities of the governmental fund while the Reconciliations of the Governmental Fund Balance Sheets to Statements of Net Position reflects the differences from the amounts reported in the Statements of Net Position. The Statements of Revenues, Expenditures and Changes in Fund Balance – General Fund reflect the current year receipt and disbursement of funds and the Reconciliations of Governmental Fund Balance Sheets to Statements of Net Position and Reconciliations of Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance to Statements of Activities and Changes in Net Position report the differences in the change in fund balance to the change in net position of the Governmental activities. The differences between the adopted budget and the actual activities are reflected in the Statements of Revenues, Expenditures, and Changes in Fund Balance-General Fund-Budget to Actual.

The District is a subdivision of the State of Louisiana within the Parish of St. Tammany. The accompanying financial statements only present information in the funds maintained by the District.

STATEMENTS OF NET POSITION AND STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION

The Statements of Net Position and Statements of Activities and Changes in Net Position report information about the funds maintained by the District as a whole and about its activities in a way which helps answer one of the most important questions asked about the District's finances, "Is the District, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the District's net position and the changes in it. This net position, the difference between the assets, deferred outflows, liabilities and deferred inflows, is one way to measure the District's financial health and, over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating.

The funds maintained by the District are recorded as governmental activities in the Statements of Net Assets and Statements of Activities and Changes in Net Assets.

All of the expenses paid from the funds maintained are reported here as governmental activities and consist primarily of insurance, accounting fees, and support payments to the St. Tammany Economic Development Foundation (EDF), which is the management arm for the District. A percentage of the state hotel and motel sales tax collections finance the operating activities of the District.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED DECEMBER 31, 2012**

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of fiscal year 2012 and 2011 by \$2,024,667 and \$2,126,075, respectively, (net assets), which represents a 5% decrease and 6% decrease, respectively, over the previous years. The District had not deferred outflows or deferred inflows as of December 31, 2012 or 2011

Cash was \$235,347 at December 31, 2012 compared to \$261,375 at December 31, 2011. This is a decrease of \$26,028 or 10%.

The District's revenue increased \$120,582 and \$127,720, or 18% and 24%, respectively, for the years ended December 31, 2012 and 2011. The increase in 2012 was primarily due to bond closing fees and an increase in state Act funds. The increase in 2011 was primarily due to bond closing fees.

Capital assets decreased \$339,675 and \$339,675, respectively, as of December 31, 2012 and 2011. There were no new capital outlay projects in 2012 or 2011. The decrease as of December 31, 2012 and 2011 was due to the depreciation of capital assets.

The District's expenditures for the year ended December 31, 2012, excluding depreciation expense, increased \$77,922, or 17%, and decreased \$4,525, or 1%, for the year ended December 31, 2011.

At the close of fiscal year 2012, the District's general fund had an excess balance of \$543,774. The District's general fund had an excess balance of \$305,507 at the close of fiscal year 2011.

As a result of subtracting total expenditures from total revenue, the District's net assets decreased by \$101,408 and \$144,068, respectively, for the fiscal years ended December 31, 2012 and 2011.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. The District's total net position changed from \$2,126,075 at year ending December 31, 2011 to \$2,024,667 at year ending December 31, 2012.

The District's office, at December 31, 2012 and 2011, had \$235,347 and \$261,375, respectively, in cash on hand for operating costs. These deposits are secured from risk by \$250,000 of federal deposit insurance as of December 31, 2012 and 2011.

Revenue to the District consisted principally of state hotel and motel sales tax collections and pass through funds for various projects the District was involved in. Expenditures for the District consisted primarily of management fees paid to the EDF, which is the management arm for the District, and depreciation expense.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED DECEMBER 31, 2012**

CAPITAL ASSETS

Capital assets currently held by the District will revert to a private company at the time the company pays off a taxable revenue bond issued by the District. The capital assets consist of land, land improvements, and equipment paid for with bond proceeds received by the District. The term of the revenue bond which includes capital assets is twenty years. The land improvements and equipment are being depreciated over a period of ten years. No depreciation is taken on the land. Net capital assets at year-end December 31, 2012 and 2011, were \$1,480,893 and \$1,820,568, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the fiscal years ended December 31, 2012 and 2011, there were no significant unfavorable variances in the budget. A final amended budget was adopted at the District's December 13, 2012 meeting.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District considered many factors when setting the operating budget for its general fund for the year ending December 31, 2013. Anticipated revenues will be approximately \$1,064,840, while anticipated expenditures will be approximately \$1,064,840. The District does not anticipate a profit.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview for the funds maintained by the St. Tammany Parish Development District and to show the accountability for the money it receives. If you have any questions or need additional information, contact the District's office at 21489 Koop Drive, Suite 7, Mandeville, LA 70471.

BASIC FINANCIAL STATEMENTS

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011**

	GOVERNMENTAL ACTIVITIES	
	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 235,347	\$ 261,375
Investments	180,164	-
Intergovernmental receivable	<u>227,800</u>	<u>49,132</u>
Total current assets	643,311	310,507
CAPITAL ASSETS		
Land	400,000	400,000
Capital improvements	<u>3,396,753</u>	<u>3,396,753</u>
Total capital assets	3,796,753	3,796,753
Accumulated depreciation	<u>(2,315,860)</u>	<u>(1,976,185)</u>
Total capital assets, net of accumulated depreciation	<u>1,480,893</u>	<u>1,820,568</u>
TOTAL ASSETS	2,124,204	2,131,075
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	<u>99,537</u>	<u>5,000</u>
TOTAL LIABILITIES	99,537	5,000
NET POSITION		
Investment in capital assets	1,480,893	1,820,568
Unrestricted	<u>543,774</u>	<u>305,507</u>
TOTAL NET POSITION	<u>\$ 2,024,667</u>	<u>\$ 2,126,075</u>

See accompanying independent auditors' report and notes to financial statements

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	GOVERNMENTAL ACTIVITIES	
	<u>2012</u>	<u>2011</u>
EXPENSES		
Economic development support	\$ 331,250	\$ 281,347
Legal and professional	5,345	7,145
Service fees	190,000	175,000
Depreciation	339,675	339,675
Other	20,028	5,209
	<u>886,298</u>	<u>808,376</u>
PROGRAM REVENUES		
Lease income and administrative fees	137,500	107,500
Bond application revenue	3,000	3,000
Bond closing fee	90,066	169,218
Service fee revenue	190,000	175,000
Other income	12,257	-
	<u>432,823</u>	<u>454,718</u>
GENERAL REVENUES		
Hotel/motel tax revenue	<u>352,067</u>	<u>209,590</u>
CHANGE IN NET POSITION	(101,408)	(144,068)
NET POSITION – Beginning of year	<u>2,126,075</u>	<u>2,270,143</u>
NET POSITION – End of year	<u>\$ 2,024,667</u>	<u>\$ 2,126,075</u>

See accompanying independent auditors' report and notes to financial statements

FUND FINANCIAL STATEMENTS

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
BALANCE SHEETS - GENERAL FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 235,347	\$ 261,375
Investments	180,164	-
Intergovernmental receivable	<u>227,800</u>	<u>49,132</u>
TOTAL ASSETS	<u>\$ 643,311</u>	<u>\$ 310,507</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	<u>\$ 99,537</u>	<u>\$ 5,000</u>
 FUND BALANCE		
Unassigned	<u>543,774</u>	<u>305,507</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 643,311</u>	<u>\$ 310,507</u>

See accompanying independent auditors' report and notes to financial statements

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
RECONCILIATIONS OF GOVERNMENTAL FUND
BALANCE SHEETS TO STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>
Fund balances -total governmental fund	\$ 543,774
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	
Governmental capital assets	\$ 3,796,753
Less accumulated depreciation	<u>(2,315,860)</u>
	<u>1,480,893</u>
Net position of governmental activities	<u>\$ 2,024,667</u>

	<u>2011</u>
Fund balances -total governmental fund	\$ 305,507
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	
Governmental capital assets	\$ 3,796,753
Less accumulated depreciation	<u>(1,976,185)</u>
	<u>1,820,568</u>
Net position of governmental activities	<u>\$ 2,126,075</u>

See accompanying independent auditors' report and notes to financial statements

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
REVENUES		
Hotel/motel tax revenue	\$ 352,067	\$ 209,590
Lease income and administrative fees	137,500	107,500
Bond application fee	3,000	3,000
Bond closing fee	90,066	169,218
Service fee revenue	190,000	175,000
Other income	<u>12,257</u>	<u>-</u>
Total revenues	784,890	664,308
EXPENDITURES		
Economic development support	331,250	281,347
Legal and professional	5,345	7,145
Service fees	190,000	175,000
Other	<u>20,028</u>	<u>5,209</u>
Total expenditures	<u>546,623</u>	<u>468,701</u>
EXCESS OF REVENUES OVER EXPENDITURES	238,267	195,607
FUND BALANCE – Beginning of year	<u>305,507</u>	<u>109,900</u>
FUND BALANCE – End of year	<u><u>\$ 543,774</u></u>	<u><u>\$ 305,507</u></u>

See accompanying independent auditors' report and notes to financial statements

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
RECONCILIATIONS OF GOVERNMENTAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENTS OF
ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Net changes in fund balances – total governmental fund	\$ 238,267	\$ 195,607
Governmental funds do not report depreciation expense as an expenditure	<u>(339,675)</u>	<u>(339,675)</u>
Change in net position of governmental activities	<u><u>\$ (101,408)</u></u>	<u><u>\$ (144,068)</u></u>

See accompanying independent auditors' report and notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The St. Tammany Parish Development District (the District), was established for the purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy, and utilizing and developing the natural and human resources of St. Tammany Parish. 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 (the Board), consisting of thirteen voting members, appointed by the St. Tammany Parish President, the St. Tammany Parish Council, and the St. Tammany Economic Development Foundation.

The Reporting Entity – Governmental accounting standards established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. 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 St. Tammany Parish appoints a majority of its Commissioners, the District is considered to be a component unit of St. Tammany Parish. The District does not have any component units.

Basic Financial Statements – Government-Wide Statements – The government-wide financial statements (i.e., the statements of net position and the statements of activities and changes in net position) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There were no activities of the District categorized as business-type activities.

The statements of activities and changes in net position demonstrate the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements – Fund Financial Statements – The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are ordered into three major categories: governmental, proprietary, and fiduciary, which are grouped by fund type in the financial statements. Governmental fund types are those through which general governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The General Fund, the main operating fund of the District, is used to account for all financial resources.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

Basis of Accounting – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Cash and Cash Equivalents – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Receivables – All receivables are shown net of an allowance for uncollectibles. Intergovernmental receivables represent amounts due from the State for hotel/motel tax revenue for the period that had not yet been remitted. The District believed that all receivables were collectible.

Capital Assets – Capital assets, which include land, and capital improvements, are reported in the governmental columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets, if any, are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets of the governmental funds are recorded as expenditures at the time they are purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets currently held by the District will revert to Diversified Foods at the time the company pays off the taxable revenue bond issued by the District (See Note G – Conduit Debt Obligations). The capital assets consist of land, land improvements, and equipment paid for with State grants received by the District.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance – During the year, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of governmental type funds. In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – consists of amounts with constraints either by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used for the specific purposes stipulated in the legislation.
- *Committed* – consists of the amounts used for specific purposes pursuant to constraints imposed by formal action of the District's Board. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- *Assigned* – consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) are available for use.

Net Position – On January 1, 2012, the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position. State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. GASB Statement No. 63 requires that deferred outflows of resources should be reported in a statement of net position in a separate section following assets and deferred inflows of resources should be reported in a separate section following liabilities.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - *invested in capital assets, net of related debt* consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets; *restricted* distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, and *unrestricted* consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of invested in capital assets, net of related debt or the restricted component of net position.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget – In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections, and public hearings. The District then legally adopts the budget. Budgeted amounts for the General Fund included in the accompanying statements are as amended by the District for the years 2012 and 2011 as of December 13, 2012 and December 15, 2011, respectively.

NOTE C – CASH AND CASH EQUIVALENTS

At December 31, 2012 and 2011, the District had cash and cash equivalents (book balances) totaling \$235,347 and \$261,375, respectively, which were demand deposits at a local financial institution. 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, 2012 and 2011, the District had \$259,348 and \$301,375, respectively, in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$454,387 and \$354,576, of pledged securities held by the custodial bank as of December 31, 2012 and 2011, respectively.

NOTE D – RECEIVABLES

A receivable of \$227,800 and \$49,132 was recorded at December 31, 2012 and 2011, respectively, for hotel/motel tax revenue receivable from the State of Louisiana.

NOTE E – CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2012 for the primary government are as follows:

	January 1, 2012	Increases	Decreases	December 31, 2012
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital improvements	3,396,753	-	-	3,396,753
	3,796,753	-	-	3,796,753
Less accumulated depreciation for Capital improvements	(1,976,185)	(339,675)	-	(2,315,860)
Total capital assets	<u>\$ 1,820,568</u>			<u>\$ 1,480,893</u>

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

Capital assets and depreciation activity as of and for the year ended December 31, 2011 for the primary government are as follows

	January 1, 2011	Increases	Decreases	December 31, 2011
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital improvements	3,396,753	-	-	3,396,753
	3,796,753	-	-	3,796,753
Less accumulated depreciation for Capital improvements	(1,636,510)	(339,675)	-	(1,976,185)
Total capital assets	<u>\$ 2,160,243</u>			<u>\$ 1,820,568</u>

NOTE F – RELATED PARTY TRANSACTIONS

The District utilizes the offices and services of the St. Tammany Economic Development Foundation (the 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 years ended December 31, 2012 and 2011, the District made payments to the Foundation of \$331,250 and \$281,347, respectively. There were no amounts due to the Foundation for economic development support as of December 31, 2012 or 2011.

NOTE G – CONDUIT DEBT OBLIGATIONS

During the years ended December 31, 2012 and 2011, the District issued taxable revenue bonds to provide funding for the construction of facilities for private companies. The bonds are secured by the property and facilities of the private companies. Neither the District nor the State of Louisiana is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2012 and 2011, the following conduit debt obligations were outstanding:

<u>Series</u>	<u>Issued</u>	<u>Mature</u>	<u>Balance at December 31, 2012</u>	<u>Balance at December 31, 2011</u>
2002	April 2002	July 2022	\$ 5,260,000	\$ 6,060,000
2003	June 2003	August 2023	\$ 25,000,000	\$ 25,000,000
2006A	December 2006	December 2036	\$ 5,235,000	\$ 5,400,000
2008	March 2008	March 2033	\$ 7,205,000	\$ 7,425,000
2008	April 2008	April 2034	\$ 3,460,000	\$ 6,680,000
2008	April 2008	July 2038	\$ 45,000,000	\$ 45,000,000
2009A-B	April 2009	April 2029	\$ 16,540,625	\$ 17,281,250
2011	September 2011	September 2041	\$ 75,000,000	\$ 75,000,000
2012	December 2012	December 2021	\$ 75,000,000	\$ -

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE H – LEASES

Pursuant to the taxable revenue bonds described in Note G, the District has entered into lease agreements with private companies

An agreement with a private company was executed April 1, 2002 and expires, unless terminated earlier, on July 1, 2022, or if all bonds are not yet retired, on July 1, 2022. The monthly lease payment is \$1,000. The company has the option to purchase the property for the sum of the amount needed to retire the remaining bonds, the cost of the District's fees, and \$1,000.

An agreement with a private company, dated June 1, 2003, expires on August 1, 2023 or at such time when all bonds are retired. The lease required an initial payment of \$15,000 at commencement of the lease and \$2,500 in each of the 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 the St. Tammany Parish Fire Protection District No. 3 and 20% to the St. Tammany Parish Recreation District No. 4. The company has the option to purchase the property for the sum of the amount needed to retire the remaining bonds, the District's costs and fees, the amount of above payments accrued to date, and \$1,000. The land was purchased by the company and donated to the District. As the District considers the value of the land to be insignificant, the land has not been recorded as an asset of the District.

An agreement with a private company, dated April 1, 2008, expires on February 1, 2024 or at such time when all bonds are retired. The lease required an initial payment of \$22,500 at commencement of the lease and an annual fee of \$2,500 due on February 1st of each year, commencing on February 1, 2009. The company will also pay, as additional rent, the reasonable fees and expenses of the Trustee under the Indenture. Also, so long as this Agreement remains in effect and the Project is owned by the Issuer, the Project shall be exempt from ad valorem tax. The company also agrees to make a payment on the date of closing and on February 1st of each year thereafter in the amount of \$50,000 per year to the Issuer which the Issuer intends to pay to the local fire protection district to defray the costs of fire protection.

An agreement with a private company, dated August 7, 2008, expires on August 7, 2018 or at such time when all bonds are retired. The lease required an initial payment of \$19,576 at commencement of the lease and on February 1st of each of the following years commencing on February 1, 2009, an administrative fee of 1/10th of 1% of outstanding bond amount, minimum \$2,500 and maximum \$25,000. Also, the lease provides for an exemption from ad valorem tax, provided that for each calendar year, the company, together with its affiliates, maintains at least 70 average full time employees in the Parish of St. Tammany, Louisiana with an aggregate salary of \$3,150,000. During the fiscal year ending December 31, 2011, the company purchased the property for the sum of the amount needed to retire the remaining bonds.

An agreement with a private company, dated April 29, 2009, expires on April 29, 2029 or at such time when all bonds are retired. The lease required an initial payment of \$53,632.50 at commencement of the lease and on February 1st of each of the following years commencing on February 1, 2010, an administrative fee of 1/10th of 1% of outstanding bond amount, minimum \$5,000 and maximum \$25,000. Also, the lease provides for an exemption from ad valorem tax, provided that for each calendar year, the company, together with its affiliates, maintains at least 160 average full time employees in the Parish of

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

St Tammany, Louisiana with an aggregate salary of \$16,000,000. During the fiscal year ending December 31, 2011, the company purchased the property for the sum of the amount needed to retire the remaining bonds

An agreement with a private company, dated April 30, 2009, expires on April 30, 2029 or at such time when all bonds are retired. The lease required an initial payment of 1/20th of initial principal amount of the bonds, less a credit for the \$500 application fee heretofore paid, at commencement of the lease and an annual fee of \$23,000 due on February 1st of each year, commencing on February 1, 2010. The company will also pay, as additional rent, the reasonable fees and expenses of the Trustee under the Indenture. Also, so long as this Agreement remains in effect and the Project is owned by the Issuer, the Project shall be exempt from ad valorem tax. The Company also agrees to make a payment on December 31 of each year, commencing on December 31, 2009, in the amount of \$50,000 per year to the Issuer which the Issuer intends to distribute to such taxing bodies as may be determined by the Issuer in its sole discretion.

An agreement with a private company, dated September 1, 2011, expires on September 1, 2041 or at such time when all bonds are retired. The lease required an initial payment of 1/20th of initial principal amount of the bonds, less a credit for the \$500 application fee heretofore paid, at commencement of the lease and an annual fee of \$25,000, or 1/10th of 1% of the original principal amount of the bonds, due on February 1st of each year, commencing on February 1, 2012. The company will also pay, as additional rent, the reasonable fees and expenses of the Trustee under the Indenture. Also, so long as this Agreement remains in effect and the Project is owned by the Issuer, the Project shall be exempt from ad valorem tax. The Company also agrees to make a payment on December 31 of each year, commencing on February 1, 2013, in the amount of \$75,000 per year to the Issuer which the Issuer intends to distribute to such taxing bodies as may be determined by the Issuer in its sole discretion.

An agreement with a private company, dated December 1, 2012, expires on December 31, 2021 or at such time when all bonds are retired. The lease required an initial payment of 1/20th of initial principal amount of the bonds at commencement of the lease and an annual fee of \$75,000 due on November 1st of each year, commencing on November 1, 2013. The company will also pay, as additional rent, the reasonable fees and expenses of the Trustee under the Indenture. Also, so long as this Agreement remains in effect and the Project is owned by the Issuer, the Project shall be exempt from ad valorem tax.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 12, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY SCHEDULE

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Board Member	Amount
Chadwick Collings , Chair 827 W. 22nd Ave , Covington, LA 70433	\$ -0-
Peter Link, Vice-Chair 909 Poydras St , Ste 3200, New Orleans, LA 70112	-0-
Bill Davis, Treasurer 1001 Gause Blvd , Slidell, LA 70458	-0-
Keith Baker 2307 Gause Blvd East, Slidell, LA 70461	-0-
Pat Brister PO Box 628, Covington, LA 70433	-0-
Jason Cobb 95 Judge Tanner Blvd , Covington, LA 70433	-0-
Martin Bruno 109 Woodruff Dr Slidell, LA 70461	-0-
Randy Lawshe 3403 HWY 190, Mandeville, LA 70471	-0-
Peter Egan 116 W 21st Ave , Covington, LA 70433	-0-
Eric Schouest 1530 Dove Park Rd , Mandeville, LA 70471	-0-
Luther Traylor 1724 Sullivan Dr , Slidell, LA 70460	-0-
Michael Tusa 4080 Lonesome Rd , Ste A, Mandeville, LA 70448	-0-
Brenda Reine Bertus, Executive Director 21489 Koop Dr Ste 7, Mandeville 70471	-0-

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND - BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012				2011			
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES								
Hotel/motel tax revenue	\$ 205,000	\$ 317,001	\$ 352,067	\$ 35,066	\$ 199,947	\$ 207,958	\$ 209,590	\$ 1,632
Lease income and administrative fees	140,000	140,000	137,500	(2,500)	95,000	105,000	107,500	2,500
Bond application fee	-	3,000	3,000	-	-	3,000	3,000	-
Bond closing fee	-	90,066	90,066	-	-	169,218	169,218	-
Service fee revenue	175,000	190,000	190,000	-	175,000	175,000	175,000	-
Other income	-	12,257	12,257	-	-	-	-	-
Total revenues	520,000	752,324	784,890	32,566	469,947	660,176	664,308	4,132
EXPENDITURES								
Economic development support	331,250	331,250	331,250	-	257,947	281,347	281,347	-
Legal and professional	5,850	5,345	5,345	-	29,200	7,145	7,145	-
Service fees	175,000	190,000	190,000	-	175,000	175,000	175,000	-
Other	7,900	20,028	20,028	-	7,800	8,095	5,209	2,886
Total expenditures	\$ 520,000	\$ 546,623	\$ 546,623	\$ -	\$ 469,947	\$ 471,587	\$ 468,701	\$ 2,886

See accompanying independent auditors' report

OTHER REPORT



Certified Public Accountants & Consultants

**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**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of St Tammany Parish Development District (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Silva Gurtner & Abney, LLC

February 12, 2013

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
AS OF DECEMBER 31, 2012**

<u>Ref No</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
Section I - Internal Control and Compliance Material to the Financial Statements			
No matters are reportable			
Section II - Internal Control and Compliance Material to Federal Awards			
No matters are reportable			
Section III - Management Letter			
No matters are reportable			

See accompanying independent auditors' report

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
SUMMARY OF PRIOR YEAR FINDINGS
AS OF DECEMBER 31, 2012**

<u>Ref No</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
Section I - Internal Control and Compliance Material to the Financial Statements			
No matters are reportable			
Section II - Internal Control and Compliance Material to Federal Awards			
No matters are reportable			
Section III - Management Letter			
No matters are reportable			

See accompanying independent auditors' report