
ST. BERNARD PARISH GOVERNMENT

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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 OCT 09 2013



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ST. BERNARD PARISH GOVERNMENT

Financial Statements

December 31, 2012

ST. BERNARD PARISH GOVERNMENT

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Independent Auditors' Report

The Members of the St. Bernard Parish Council
Chalmette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business –type activities, each major fund, and the aggregate remaining fund information of the St. Bernard Parish Government (the Parish) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Parish's basic financial statements of the Parish's primary government as listed in the table of contents

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 financial statement 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

Basis for Adverse Opinion

The financial statements referred to above include only the primary government of the Parish, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Parish's legal entity. The financial statements do not include financial data for the Parish's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for the Parish's legally separate component units to be reported with the financial data of the Parish's primary government. The amount which this departure would affect the assets, liabilities, net position, revenues, and expenses of the government-wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the reporting entity of the Parish as of December 31, 2012, or the changes in financial position or cash flows thereof for the year then ended. In accordance with accounting principles generally accepted in the United States of America, the Parish has issued separate reporting entity financial statements for which we have issued our report dated August 14, 2013.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Parish as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 13 and 56 through 58 and schedule of funding progress on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 our 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Parish's basic financial statements. The combining non major governmental and enterprise fund and internal service fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non major governmental and enterprise fund and internal service fund statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non major governmental and enterprise fund and internal service fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2013, on our consideration of the Parish'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 Parish's internal control over financial reporting and compliance.

Postlethwaite + Nettewille

New Orleans, Louisiana
August 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

ST. BERNARD PARISH GOVERNMENT

Management's Discussion and Analysis

December 31, 2012

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the St Bernard Parish Government (the Parish), financial performance provides an overview of the Parish's financial activities for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the Parish's basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The Parish's net position balance on the government-wide basis was \$541,294,833 at December 31, 2012.
- The government-wide statement of activities reported an increase in net position of \$70,219,490.
- 2012 general fund tax revenues decreased by \$1,707,683 compared to 2011.
- The general fund reported a deficiency of revenues and other financing sources over expenses and other financing uses of \$5,209,252 for a total ending fund balance at December 31, 2012 of \$3,053,592. The general fund's unassigned fund balance at December 31, 2012 is \$2,887,607.
- Total governmental funds reported an excess of expenses and other financing uses over revenues and other financing sources of \$13,877,383.
- Total cash and cash equivalent of governmental funds amounted to \$24,658,360 at December 31, 2012, a decrease of \$8,663,517 compared to December 31, 2011.
- Total bonded debt amounted to \$46,496,266, a decrease of \$909,871 over the beginning of the year total.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Parish's primary government financial statements. The Parish's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and additional supplementary information to provide greater detail of data presented in the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the Parish's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Parish's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Parish is improving or deteriorating.

The statement of activities presents information showing how the Parish's net position changed during the year ended December 31, 2012. All changes in net position are reported as soon as the underlying event

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Management's Discussion and Analysis

December 31, 2012

giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. earned but unused leave for vacations).

The government-wide financial statements distinguish functions of the Parish that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Parish include general government, public safety, public works, health and human services, culture and recreation, urban development and housing and economic development. The business-type activity of the Parish includes the water and sewerage operations of the Water & Sewer Division and Water Districts (the Division).

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Parish, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Parish can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources. Such information may be useful in evaluating government's financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Parish maintains 71 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its three major funds: the General Fund, CDBG Disaster Fund, and Disaster Recovery Fund. Data from the other governmental funds are combined under the heading "Nonmajor Governmental Funds."

Proprietary Funds The Parish maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Parish uses enterprise funds to account for its water and sewerage operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Parish's various functions. The Parish uses internal service funds to account for its self insurance program. Separate funds are maintained for costs related to governmental and business-type functions and activity is split accordingly in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water

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Management's Discussion and Analysis

December 31, 2012

and Sewer Division, which is considered to be a major fund of the Parish. All other District funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The two internal services funds are also combined into a single, aggregated presentation. Individual fund data for the District funds and the internal service funds is provided in the form of combining statements elsewhere in the report.

The basic proprietary fund financial statements can be found on pages 18-22 of this report.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted and to provide information concerning the Parish's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental, proprietary and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 66-83 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. The Parish's assets exceeded liabilities by approximately \$541,294,833 at December 31, 2012.

St. Bernard Parish Government
Table 1
Net Position
December 31, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 66,615,530	\$ 101,458,179	\$ 19,017,398	\$ 27,944,947	\$ 85,632,928	\$ 129,403,126
Capital assets	380,089,536	352,867,806	192,896,423	156,230,646	572,985,959	509,098,452
Total assets	446,705,066	454,325,985	211,913,821	184,175,593	658,618,887	638,501,578
Long-term liabilities	44,348,242	8,448,128	10,350,459	40,868,009	54,698,701	49,316,137
Other liabilities	58,738,013	99,675,882	3,887,340	18,434,216	62,625,353	118,110,098
Total liabilities	103,086,255	108,124,010	14,237,799	59,302,225	117,324,054	167,426,235
Net position						
Invested of capital assets, net of related debt	344,112,498	352,867,806	192,896,423	112,542,637	537,008,921	465,410,443
Restricted	7,329,208	(14,520,899)	748,861	8,745,110	8,078,069	(5,775,789)
Unrestricted (deficit)	(7,822,895)	7,855,068	4,030,738	3,585,621	(3,792,157)	11,440,689
Total net position	\$ 343,618,811	\$ 346,201,975	\$ 197,676,022	\$ 124,873,368	\$ 541,294,833	\$ 471,075,343

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Management's Discussion and Analysis

December 31, 2012

The Parish's statement of net position reflects its investment in capital assets, land, construction-in-progress, infrastructure, buildings, and equipment, less any related debt outstanding used to acquire those assets in the amount of \$537.0 million at December 31, 2012. The Parish uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the Parish's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Debt service funds have accumulated \$1,477,749 at December 31, 2012 to provide for the servicing of annual interest and principal payments on bonds and are classified in restricted net position. The unrestricted deficit net position in the amount of \$3,792,157 is due to the Parish's recording of long-term obligations including claims and judgments, liabilities, accrued annual and sick leave. The unrestricted net position decreased by \$15,232,846, which is primarily due to the change in net position described below.

Governmental Activities

St. Bernard Parish Government
Table 2
Changes in Net Position
December 31, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 3,886,902	\$ 4,774,785	\$ 5,818,753	\$ 5,977,404	\$ 9,705,655	\$ 10,752,189
Operating grants and contributions	17,562,703	178,346,532	2,966,919	6,917,743	20,529,622	185,264,275
Capital grants and contributions	84,179,047	52,848,455	40,502,738	-	124,681,785	52,848,455
General revenues						
Ad valorem taxes	7,658,899	7,652,880	-	-	7,658,899	7,652,880
Sales taxes	13,446,184	15,901,969	3,338,375	3,774,778	16,784,559	19,676,747
Other taxes	1,430,751	1,333,600	-	-	1,430,751	1,333,600
Unrestricted grants and investment earnings	108,213	2,816,336	36,852	36,706	145,065	2,853,042
Loss on disposal of assets	(6,539,142)	(6,215,108)	-	-	(6,539,142)	(6,215,108)
Forgiveness of CD loans	-	-	-	-	-	-
Other general revenues	647,605	4,479,623	(2,358,661)	357,186	(1,711,056)	4,836,809
Total revenues	122,381,162	261,939,072	50,304,976	17,063,817	172,686,138	279,002,889
Program expenses						
General government	52,204,303	72,500,778	-	-	52,204,303	72,500,778
Public safety	9,231,076	8,025,968	-	-	9,231,076	8,025,968
Public works	20,700,870	17,987,950	-	-	20,700,870	17,987,950
Culture and recreation	2,475,372	2,046,703	-	-	2,475,372	2,046,703
Health and welfare	6,322,104	5,878,327	-	-	6,322,104	5,878,327
Interest on long-term debt	580,332	256,336	756,740	2,040,501	1,337,072	2,296,837
Water and sewer	-	-	10,195,851	9,024,042	10,195,851	9,024,042
Total expenses	91,514,057	106,696,062	10,952,591	11,064,543	102,466,648	117,760,605
Net (expense) revenue before transfers	30,867,105	155,243,010	39,352,385	5,999,274	70,219,490	161,242,284
Transfers In (Out)	(33,450,269)	(20,521,855)	33,450,269	20,521,855	-	-
Change in Net Position	(2,583,164)	134,721,155	72,802,654	26,521,129	70,219,490	161,242,284
Net Position - beginning	346,201,975	211,480,820	124,873,368	98,352,239	471,075,343	309,833,059
Net Position - ending	\$ 343,618,811	\$ 346,201,975	\$ 197,676,022	\$ 124,873,368	\$ 541,294,833	\$ 471,075,343

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Management's Discussion and Analysis

December 31, 2012

Total revenue decreased by \$106,316,751 or 38.1% from \$279,002,889 in 2011 to \$172,686,138 in 2012. This decrease is primarily attributable to the decrease in federal operating grants of \$164,734,653 in 2012. This decrease was partially offset by the increase in capital grants and contributions of \$71,833,330 in 2012.

Total expenses were \$102,466,648 in 2012, a decrease of \$15,293,957, or 13.0%, compared to \$117,760,605 in 2011. General government expense decreased \$20,296,475 or 28.0% from \$72,500,778 in 2011 to \$52,204,303 in 2012 primarily due to decreases in Community Development Block Grant expenditures (\$17,052,177). Public safety expense increased \$1,205,108 or 15.0% from \$8,025,968 in 2011 to \$9,231,076 in 2012 due primarily to increased payroll expense. Public works expense increased \$2,712,920 or 15.1% from \$17,987,950 in 2011 to \$20,700,870 in 2012.

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the Parish's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Parish's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited spending to use for a particular purpose by either an external party, the Parish itself, or group or individual that has been delegated authority to assign resources for use for particular purposes by the Parish's Council.

At December 31, 2012, the Parish's governmental funds reported a combined fund balances (deficit) of \$8,700,810, a decrease of \$13,877,383 in comparison with the prior year. Included in this amount is a deficit of \$26,251,209 which constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$171,490), 2) restricted for particular purposes (\$7,419,769), 3) committed for particular purposes (\$2,209,969), or 4) assigned for particular purposes (\$7,749,171).

Proprietary Funds

The St. Bernard Parish Government's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Division and the Districts at the end of the year amounted to \$4,030,738.

General Fund

The general fund is the chief operating fund of the Parish. During the year ended December 31, 2012, the general fund's fund balance decreased by \$5,209,252 from \$8,262,844 (as restated) to \$3,053,592. Key factors relative to this change are as follows:

- Total revenues decreased by \$3,008,729 from 2011 to 2012. Federal grant revenue decreased by \$473,745 as compared to the prior year. Sales tax revenues decreased by \$1,841,839 during the year ended December 31, 2012.

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Management's Discussion and Analysis

December 31, 2012

- Expenditures decreased in 2012 to \$15,076,968 compared to \$15,280,209 in 2011, a decrease of \$203,241, which represents a 1 3% decrease in expenditures
- Total revenues and other financing sources (uses), net, for the general fund increased by \$3,008,729 or 14 89% compared to 2011
- Other financing sources (uses), net, totaled \$7,334,334 in 2012 representing an increase of \$1,844,657 or 33 6% in comparison to 2011
- Charges for services increased by \$183,891 or 14 3% compared to 2011 due primarily to one time revenue of \$172,000 during the year ended December 31, 2012
- Taxes decreased by \$1,707,683 or 12% as compared to 2011 primarily due to decrease in sales tax collections Property tax revenue increased \$70,506 during the year ended December 31, 2012
- Licenses and Permits revenues decreased by \$179,465 or 13 5%
- Miscellaneous and other revenues decreased from \$1,181,811 in 2011 to \$256,586 in 2012, a decrease of \$925,225 or 78 3% due to the receipt of one time donations during the year ended December 31, 2011

The accompanying table shows the amount (in thousands) of general fund revenues by source for 2012 and 2011

Revenues and Other Financing Sources	2012 Actual	% of Total	Increase (Decrease) Over 2011	2011 Actual	% of Total
Taxes	\$ 12,196,804	70 90%	\$ (1,707,683)	\$ 13,904,487	68 80%
Licenses and permits	1,148,646	6 68	(179,465)	1,328,111	6 57
Intergovernmental	2,132,664	12 40	(380,247)	2,512,911	12 43
Charges for services	1,467,350	8 53	183,891	1,283,459	6 35
Miscellaneous and other	256,586	1 49	(925,225)	1,181,811	5 86
	<u>\$ 17,202,050</u>	<u>100 0%</u>	<u>\$ (3,008,729)</u>	<u>\$ 20,210,779</u>	<u>100 0%</u>

The accompanying table shows the amount (in thousands) of general fund expenditures by source for 2012 and 2011

Expenditures	2012 Actual	% of Total	Increase (Decrease) Over 2011	2011 Actual	% of Total
General government	\$ 13,930,728	62 16%	\$ (194,745)	\$ 14,125,473	68 01%
Health and welfare	—	—	(25,474)	25,474	0 12
Capital outlay	1,146,240	5 11	16,978	1,129,262	5 44
Operating transfers out, net	7,334,334	32 73	1,844,657	5,489,677	26 44
	<u>\$ 22,411,302</u>	<u>100 0%</u>	<u>\$ 1,641,416</u>	<u>\$ 20,769,886</u>	<u>100 0%</u>

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CDBG Fund

This special revenue fund is used to account for funding from the Department of Housing and Urban Development (HUD), primarily CDBG funding for Hurricanes Katrina, Rita, and Gustav reconstruction. The CDBG grants are reimbursement basis grants where expenditures and related revenues have been accrued. The deficit in the CDBG Disaster fund at December 31, 2012 of \$1,936,976 is partially attributable to \$2,105,127 of revenue that has been deferred and will be collected by the Parish in 2013 and cash advances received for which expenditures will be incurred in future years. Revenue amounted to \$21,982,752 in 2012 compared to \$47,982,761 in 2011, while expenditures totaled \$21,834,201 in 2012 compared to \$42,940,641 in 2011. Revenues and expenditures for Hurricanes Katrina, Rita and Gustav in the CDBG Disaster fund are decreasing as funding for the emergencies comes to an end and projects are closed out.

Disaster Recovery Fund

The Disaster Recovery Fund primarily accounts for grants received as a result of Hurricanes Katrina, Rita and Gustav from the Federal government. FEMA, as authorized by the Stafford Act, assists individuals, as well as, state and local governments with response to and recovery from disasters. The FEMA grants are reimbursement basis grants where expenditures and related revenues have been accrued. The deficit in the Disaster Recovery fund at December 31, 2012 of \$25,208,000 is partially attributable to \$21,986,098 of revenue that has been deferred and will be collected by the Parish in 2013 and cash advances received for which expenditures will be incurred in future years. Revenue amounted to \$44,208,933 in 2012 compared to \$169,478,625 in 2011, while expenditures totaled \$52,348,479 in 2012 compared to \$155,444,792 in 2011. Revenues and expenditures for Hurricanes Katrina, Rita and Gustav in the FEMA fund are decreasing as funding for the emergencies comes to an end and projects are closed out.

Special Revenue Funds – Non-major

The Non-Major Special Revenue funds are used to account for the recording of special purpose revenues and grants. Total fund balance for the Non-Major Special Revenue funds was \$5,815,441 at December 31, 2012, which was a \$1,822,434 decrease compared to the prior year restated fund balance of \$7,637,875. Revenues during the year ended December 31, 2012 decreased by \$1,788,181 primarily due to decreased sales tax revenues of \$613,946 and decreased grant funding in public works of \$838,069. Expenditures during the year ended December 31, 2012 decreased by \$1,094,224 as a result of a decrease in grant funding in public works of \$975,882.

Debt Service Funds

The Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Total fund balance for the Debt Service Funds was \$1,124,584 at December 31, 2012, which was a \$461,015 increase compared to the prior year restated balance of \$663,569. Expenditures during the year ended December 31, 2012 increased by \$109,924 as a result of bond issuance costs related to the issuance of the 2012 Sales Tax Refunding Bonds. During the year ended December 31, 2012, the Parish issued the 2012 Sales Tax Refunding bonds for \$33,885,000 and used the proceeds to partially refund the 2003 Sales Tax Bonds and the 2004 Sales Tax Bonds.

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Management's Discussion and Analysis

December 31, 2012

Capital Project Funds

The Capital Projects funds are used to account for all resources and expenditures in connection with the acquisition of capital facilities and repair and maintenance projects other than those accounted for in the recovery funds relating to FEMA and CDBG. Total fund balance for the Capital Project Funds was \$8,450,549, at December 31, 2012, a decrease of \$997,926 from the prior year. Capital projects fund expenditures during 2012 totaled \$99,460, a decrease of \$85,010 from the prior year based on one time funding that was received during the 2011 year. One-time transfers of \$755,460 from the capital projects funds to the general fund occurred during the year ended December 31, 2012.

Enterprise Funds

The Enterprise funds are used to account for operations of the water and sewer facilities of the Parish. Total net position for the Enterprise Funds was \$197,676,022 at December 31, 2012, an increase of \$802,654 from the prior year due to increased capital projects funding for rebuilding of the Parish's water and sewer facilities. Total operating revenues increased \$6,658 or 0.12% to \$5,710,691 for the year ended December 31, 2012. Total operating expenses increased \$1,102,453 or 12.8% to \$9,750,362 for the year ended December 31, 2012. The increase in operating expenses is due to additional depreciation expense of \$896,421 and one-time expenses of \$2,489,453 related to the refinancing of the 2004 Sales Tax Bonds.

Non-operating revenues and expenses increased \$34,734,645 or 396.1% to \$43,502,931 for the year ended December 31, 2012. The increase in non operating revenues is due to increased federal funding of \$36,551,914 to provide for reconstruction of Sewer and Water facilities. Interest expense decreased by \$1,283,761 due to the refunding of a substantial portion of the 2004 Sales Tax Bonds in July 2012. Sales tax revenues decreased by \$436,403 or 11.6% to \$3,338,375 for the year ended December 31, 2012. Transfers in, net increased from the prior year due to the transfer of \$32,699,453 from the proceeds of the 2012 Sales Tax refunding bond.

Internal Service Funds

The internal service funds are used to account for the risk management services provided throughout the Parish. Total net position for the Internal Service Funds was a deficit of \$511,867, at December 31, 2012, a decrease of \$927,877 from the prior year. Premium revenue decreased by \$669,621 from \$1,850,188 to \$1,180,567 during the year ended December 31, 2012. Total operating expenses increased by \$478,112 from \$1,633,892 to \$2,112,004 during the year ended December 31, 2012.

General Fund Budgetary Highlights

Variances between general fund amended budget and actual are delineated in the schedule below. Total revenues are \$17.2 million or 21.1% less than budgeted due to the actual amounts for intergovernmental revenues less than the budgeted amounts. Actual expenditures were 45.2% less than budgeted.

ST. BERNARD PARISH GOVERNMENT

Management's Discussion and Analysis

December 31, 2012

	<u>2012</u>		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues			
Taxes	\$ 2,093,900	\$ 12,196,804	\$ 10,102,904
Licenses and permits	834,250	1,148,646	314,396
Intergovernmental	17,393,815	2,132,664	(15,261,151)
Charges for services	1,255,600	1,467,350	211,750
Miscellaneous	223,300	256,586	33,286
Total Revenues	<u>21,800,865</u>	<u>17,202,050</u>	<u>(4,598,815)</u>
Expenditures	27,500,885	15,076,968	12,423,917
Other Financing Sources (Uses), net	5,142,481	(7,334,334)	(12,476,815)
Net Change in Fund Balance	<u>\$ (557,539)</u>	<u>\$ (5,209,252)</u>	<u>\$ (4,651,713)</u>

Capital Assets

Capital assets at December 31, 2012 and 2011 are as follows (net of depreciation)

	<u>2012</u>	<u>2011</u>
Land	\$ 19,466,837	\$ 16,367,074
Construction in progress	75,642,064	291,906,057
Buildings, improvements, and equipment	193,663,061	88,271,038
Other	7,830,909	8,858,844
Infrastructure assets	276,383,088	105,426,135
	<u>\$ 572,985,959</u>	<u>\$ 510,829,148</u>

Hurricane Katrina and the related flooding caused physical damage to the Parish's capital assets. As a result, certain assets were destroyed and other assets, specifically buildings, require restoration efforts to restore their service utility. Some assets have been demolished and are being replaced. Buildings, improvements, equipment, other, and infrastructure assets have been reduced in value as a result of demolition, damage, or depreciation.

Debt Administration

Total outstanding debt at December 31, 2012 totaled \$49,400,000. \$5,000,000 of this amount is backed by the full faith and credit of the Parish. The remainder of the Parish's debt, \$39,240,000, is secured by specific revenue sources (sales taxes). During 2012, the Parish issued \$33,885,000 of Sales Tax Refunding Bonds used to refund the 2003 Sales Tax and 2004 Sales Tax bonds.

ST. BERNARD PARISH GOVERNMENT

Management's Discussion and Analysis

December 31, 2012

	Outstanding Debt	
	2012	2011
2003 Sales Tax bonds	\$ 280,000	\$ 3,750,000
2012 Sales Tax Refunding bonds	33,885,000	-
2004 Sales Tax bonds	5,255,000	37,690,000
2008 Sales Tax Refunding bonds	4,920,000	5,515,000
Total bonds	<u>44,340,000</u>	<u>46,955,000</u>
Revenue Anticipation Note	60,000	-
CDL Loan	5,000,000	5,000,000
Total outstanding debt	<u>\$ 49,400,000</u>	<u>\$ 51,955,000</u>

The following is a summary of debt transactions

Balance at January 1, 2012	\$ 51,955,000
New issues	33,945,000
Payments	<u>(36,500,000)</u>
Balance at December 31, 2012	<u>\$ 49,400,000</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for general obligation debt for the Parish is in excess of the Parish's outstanding general obligation debt.

Economic Factors and Next Year's Budget and Rates

The Parish's primary recurring funding source is Sales Tax. In 2012, actual Sales Tax collections were \$426,938 (4.42%) in excess of the budgeted amount. The Parish believes that there will be an increase in Sales Tax revenues in 2013 and thereafter due to improving economic conditions and the continuing storm related recovery. By the end of 2013, the Parish will be substantially complete in its storm related recovery efforts that will total in excess of \$1 billion. Significant Parish-wide infrastructure repairs, hazard mitigation measures, the aggressive marketing of lots made vacant by Hurricane Katrina, exceptionally rated public school system, state of the art recreational facilities, low crime rate, and other factors will continue to make the Parish an attractive community that should bolster its population rate and therefore realize increases in collections of Sales Taxes and various other taxes. A new state of the art Hospital should continue to grow the area's medical care services and offer job opportunities. The Parish continues to apply for federal and state grants in order to improve the quality of life for its residents. The Parish hosts many fairs and festivals with the annual Knights of Columbus Crawfish Festival itself bringing in over 100,000 patrons. The eastern end of the Parish is a favorite saltwater fishing destination for the entire Greater New Orleans metropolitan area.

Requests for Information

This financial report is designed to provide a general overview of the Parish's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Department of Finance, St Bernard Parish, 8201 W. Judge Perez Drive, Chalmette, Louisiana 70043.

BASIC FINANCIAL STATEMENTS

ST BERNARD PARISH GOVERNMENTStatement of Net PositionDecember 31, 2012

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 26,530,904	\$ 3,582,247	\$ 30,113,151
Investments	862,669	-	862,669
Receivables (net of allowances for uncollectibles)			
Sales and use taxes	2,305,451	-	2,305,451
Ad valorem taxes	5,985,394	-	5,985,394
Cable franchise fees	96,349	-	96,349
Customer	-	416,233	416,233
Intergovernmental	31,642,910	-	31,642,910
Other	862,413	-	862,413
Unbilled charges	-	353,174	353,174
Internal balances	(2,242,292)	2,242,292	-
Prepays	180,501	73,096	253,597
Inventory	-	466,855	466,855
Restricted assets - cash and cash equivalents	-	10,599,138	10,599,138
Restricted assets - receivables	-	576,363	576,363
Other assets	391,231	708,000	1,099,231
Capital assets, net of depreciation	380,089,536	192,896,423	572,985,959
	<u>\$ 446,705,066</u>	<u>\$ 211,913,821</u>	<u>\$ 658,618,887</u>
Liabilities			
Accounts payables and accrued liabilities	\$ 31,169,813	\$ 1,751,577	\$ 32,921,390
Claims payable	3,611,808	559,450	4,171,258
Retainage payable	13,393,176	-	13,393,176
Salaries and payroll deductions payable	1,649,203	223,808	1,873,011
Payable from restricted assets	-	1,194,780	1,194,780
Accrued interest payable	772,207	157,724	929,931
Deferred revenues	8,081,806	-	8,081,806
Revenue anticipation note	60,000	-	60,000
Long-term non-current liabilities			
Due within one year	634,364	2,990,616	3,624,980
Due in more than one year	43,713,878	7,359,844	51,073,722
	<u>\$ 103,086,255</u>	<u>\$ 14,237,799</u>	<u>\$ 117,324,054</u>
Net Position			
Invested in capital assets, net of related debt	\$ 344,112,498	\$ 192,896,423	\$ 537,008,921
Restricted for			
Capital projects	391,895	-	391,895
Debt service	1,124,584	353,165	1,477,749
Other purposes	5,812,729	395,696	6,208,425
Unrestricted	(7,822,895)	4,030,738	(3,792,157)
	<u>\$ 343,618,811</u>	<u>\$ 197,676,022</u>	<u>\$ 541,294,833</u>

See accompanying notes to financial statements

ST. BERNARD PARISH GOVERNMENT**Statement of Activities****For the year ended December 31, 2012**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contrib- utions	Capital Grants and Contrib- utions	Net (Expense) Revenue and Changes in Net Position		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government							
Judicial	\$ 1,902,450	\$ 60,438	\$ -	\$ -	\$ (1,842,012)	\$ -	\$ (1,842,012)
Other general government	50,301,853	2,639,701	10,119,642	82,730,854	45,188,344	-	45,188,344
Public Safety	9,231,076	991,980	313,997	-	(7,925,099)	-	(7,925,099)
Public works	20,700,870	88,205	360,557	1,146,703	(19,105,405)	-	(19,105,405)
Culture and recreation	2,475,372	106,578	1,098,794	301,490	(968,510)	-	(968,510)
Health and welfare	6,322,104	-	5,669,713	-	(652,391)	-	(652,391)
Interest on long-term debt	580,332	-	-	-	(580,332)	-	(580,332)
Total governmental activities	91,514,057	3,886,902	17,562,703	84,179,047	14,114,595	-	14,114,595
Business-Type Activities							
Water and sewer	10,195,851	5,818,753	2,966,919	40,502,738	-	39,092,559	39,092,559
Interest on long-term debt	756,740	-	-	-	-	(756,740)	(756,740)
Total business-type activities	10,952,591	5,818,753	2,966,919	40,502,738	-	38,335,819	38,335,819
Total	\$ 102,466,648	\$ 9,705,655	\$ 20,529,622	\$ 124,681,785	\$ 14,114,595	\$ 38,335,819	\$ 52,450,414
General revenues							
Taxes							
Ad valorem (property) taxes					7,658,899	-	7,658,899
Sales and use taxes					13,446,184	3,338,375	16,784,559
Severance					951,475	-	951,475
E telephone					370,042	-	370,042
Other					109,234	-	109,234
Interest and investment earnings					108,213	36,852	145,065
Other general revenues (expenses)					647,605	(2,358,661)	(1,711,056)
Loss on disposal of capital assets					(6,539,142)	-	(6,539,142)
Total general revenues					16,752,510	1,016,566	17,769,076
Transfer in (out)					(33,450,269)	33,450,269	-
Changes in net position					(2,583,164)	72,802,654	70,219,490
Net position, beginning of year					391,312,548	124,962,525	516,275,073
Prior period adjustments (Note 17)					(45,110,573)	(89,157)	(45,199,730)
Net position, beginning of year, as restated					346,201,975	124,873,368	471,075,343
Net position, end of year					\$ 343,618,811	\$ 197,676,022	\$ 541,294,833

See accompanying notes to financial statements

ST. BERNARD PARISH GOVERNMENT**Governmental Funds - Balance Sheet**

December 31, 2012

	General Fund	CDBG Disaster Fund	Disaster Recovery Fund	Non-Major Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 177,472	\$ 9,350,641	\$ 15,130,247	\$ 24,658,360
Investments	-	-	-	-	-
Receivables					
Sales and use taxes	1,729,088	-	-	576,363	2,305,451
Property taxes	783,640	-	-	5,201,754	5,985,394
Cable franchise fees	96,349	-	-	-	96,349
Intergovernmental	299,046	7,963,237	22,895,127	485,500	31,642,910
Other	431,235	-	1,636	428,137	861,008
Due from other funds	9,454,037	-	14,066,481	4,957,656	28,478,194
Prepays	74,800	-	-	96,690	171,490
Other assets	11,239	-	-	-	11,239
Total assets	\$ 12,879,454	\$ 8,140,709	\$ 46,313,885	\$ 26,876,347	\$ 94,210,395
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 760,413	\$ 6,551,345	\$ 21,852,449	\$ 1,966,522	\$ 31,130,729
Retainage payable	-	1,421,213	11,794,464	177,499	13,393,176
Salaries and payroll deductions payable	528,036	-	-	831,958	1,359,994
Due to other funds	8,379,000	-	15,888,874	6,739,521	31,007,395
Line of credit	60,000	-	-	-	60,000
Deferred revenues	98,413	2,105,127	21,986,098	1,770,273	25,959,911
Total liabilities	9,825,862	10,077,685	71,521,885	11,485,773	102,911,205
FUND BALANCES					
Nonspendable amounts					
Prepaid items	74,800	-	-	96,690	171,490
Restricted for					
Mortgage refunding	91,185	-	-	-	91,185
Debt service	-	-	-	1,124,584	1,124,584
Federal programs	-	-	-	4,345,946	4,345,946
Council on aging	-	-	-	483,762	483,762
Road lighting	-	-	-	28,475	28,475
Health	-	-	-	659,203	659,203
Communication	-	-	-	294,719	294,719
Capital outlay	-	-	-	391,895	391,895
Committed to					
Capital outlay	-	-	-	2,209,969	2,209,969
Assigned to					
Court operations	-	-	-	145,148	145,148
Recreation	-	-	-	1,755,567	1,755,567
Recovery	-	-	-	5,848,456	5,848,456
Unassigned	2,887,607	(1,936,976)	(25,208,000)	(1,993,840)	(26,251,209)
Total fund balances	3,053,592	(1,936,976)	(25,208,000)	15,390,574	(8,700,810)
Total liabilities and fund balances	\$ 12,879,454	\$ 8,140,709	\$ 46,313,885	\$ 26,876,347	\$ 94,210,395

See accompanying notes to financial statements

ST BERNARD PARISH GOVERNMENTReconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position

December 31, 2012

Total fund balances – governmental funds \$ (8,700,810)

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the Parish as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 420,651,973	
Accumulated depreciation	<u>(40,562,437)</u>	380,089,536

Bond financing costs are reported as expenditures in governmental funds, but are capitalized and amortized over the life of the bonds in the government-wide financial statements 379,992

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds 17,878,105

Interest expense is accrued at year-end in the government-wide financial statements, but is recorded only if due and payable on the governmental fund financial statements (772,207)

Long-term liabilities applicable to the Parish's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the Statement of Net Position.

Long-term liabilities consist of		
Bonds payable, net of premium/discount	\$ (36,368,269)	
Community disaster loan payable	(5,000,000)	
Net other post-employment benefit obligation	(1,562,519)	
Compensated absences	<u>(1,417,454)</u>	(44,348,242)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position (907,563)

Net position – governmental activities \$ 343,618,811

See accompanying notes to financial statements

ST BERNARD PARISH GOVERNMENT**Statement of Revenues, Expenditures, and Changes in
Fund Balances - All Governmental Fund Types**

For the year ended December 31, 2012

	General Fund	CDBG Disaster Fund	Disaster Recovery Fund	Non-major Governmental Funds	Total
REVENUES					
Taxes					
Ad valorem	\$ 1 057 906	\$ -	\$ -	\$ 6 423 468	\$ 7 481,374
Sales and Use	10 084 638	-	-	3,361,546	13 446,184
Other taxes, penalties, interest, etc	1 054,260	-	-	376 491	1 430,751
Licenses and permits	1,148 646	-	-	11,970	1 160 616
Intergovernmental					
Federal grants	1 900 756	21 982,752	44,208 933	12,900 396	80 992,837
State funds					
State revenue sharing (net)	2,465	-	-	11 619	14 084
Other	229 443	-	-	2,804,806	3,034,249
Fees, charges, and commissions for services	1,467,350	-	-	1,258,936	2,726,286
Fines and forfeitures	-	-	-	237 132	237,132
Use of money and property	1,061	-	-	53	1,114
Other	255,525	-	-	154,949	410,474
Total revenues	17,202,050	21,982,752	44,208,933	27,541,366	110,935,101
EXPENDITURES					
General government					
Judicial	-	-	-	90,600	90,600
Other general government	13 930,728	20 186,212	11 447,343	3,342,454	48,906,737
Public safety	-	-	-	8,424,249	8 424,249
Public works	-	-	-	10 728,553	10 728,553
Culture and recreation	-	-	-	1,746 805	1,746,805
Health and welfare	-	-	-	6,269,959	6,269,959
Debt service					
Principal	-	-	-	270,000	270,000
Interest and fiscal charges	-	-	-	88 860	88 860
Bond issuance costs	-	-	-	348,120	348,120
Payment to refunded bond escrow agent	-	-	-	69,355	69,355
Capital outlay	1 146,240	1 647,989	40,901,136	3,780 185	47,475,550
Total expenditures	15,076 968	21 834,201	52,348,479	35,159,140	124,418,788
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	2,125,082	148,551	(8,139,546)	(7,617,774)	(13,483 687)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,322,862	2,437	1 679 772	10 126,331	14,131,402
Operating transfers out	(9,657 196)	-	-	(37,924 475)	(47,581,671)
Proceeds from bond issuance	-	-	-	33 885,000	33,885,000
Bond premium	-	-	-	2 433,041	2,433,041
Payment to escrow agent	-	-	-	(3,261,468)	(3,261,468)
Total other financing sources (uses)	(7,334,334)	2,437	1,679,772	5,258,429	(393,696)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES					
	(5,209,252)	150,988	(6,459 774)	(2,359,345)	(13 877,383)
FUND BALANCES - BEGINNING OF YEAR PRIOR PERIOD ADJUSTMENTS					
	8,553 638	(55,175)	9,891,300	29,296 851	47 686 634
	(290,814)	(2,032,789)	(28,639,526)	(11,546,932)	(42,510,061)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED					
	8,262,844	(2,087,964)	(18,748,226)	17,749,919	5,176,573
FUND BALANCES - END OF YEAR					
	\$ 3,053,592	\$ (1,936,976)	\$ (25,208,000)	\$ 15,390,574	\$ (8,700,810)

See accompanying notes to financial statements.

ST BERNARD PARISH GOVERNMENTReconciliation of the Governmental Funds' Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of ActivitiesFor the year ended December 31, 2012

Total net changes in fund balances – governmental funds \$ (13,877,383)

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This represents the amount that capital outlays exceeded depreciation expense and the loss on disposals in the current period. 27,221,730

The issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Bond principal payments	270,000
Issuance of bonds payable	(33,885,000)
Payments to refunding bond escrow agent	3,330,823
Bond issuance costs	348,120
Premium on bonds issued	(2,433,041)
Amortization of deferred loss on refunding	(4,590)
Amortization of bond premium	103,539

Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues not available for spending are recognized in the current year 17,878,105

Change in accrual basis recognition of interest expenditures (486,882)

Compensated absences are recorded in the governmental funds when paid, but are recorded in the statement of activities when earned. This represents the amount of compensated absences paid that exceeded amounts earned in the current period. 18,589

The change in the net other post-employment benefit obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds (250,172)

The net revenue of certain activities of internal service funds is reported with governmental activities (817,002)

Change in net position of governmental activities \$ (2,583,164)

See accompanying notes to financial statements

ST. BERNARD PARISH GOVERNMENT

Proprietary Funds
Statement of Net Position

December 31, 2012

	Business-type Activities - Enterprise Funds		Governmental Activities Internal Service Funds
	Water and Sewer Division	Other Enterprise Funds Total	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,968,117	\$ 2,968,117	\$ 2,486,674
Investments			862,669
Customer receivables (net of allowance for uncollectibles)	416,233	416,233	-
Unbilled charges	353,174	353,174	-
Due from other funds	12,053,484	12,053,484	892,681
Prepays	73,096	73,096	9,011
Inventories	466,855	466,855	-
Loans receivable	708,000	708,000	-
Interest receivable			1,405
Restricted assets			
Cash and cash equivalents			
Revenue bond debt service account	2,099,421	2,099,421	-
Capital renewal and replacement and systems improvement account	388,646	388,646	-
Sales tax bond debt service reserve	980,812	980,812	-
Sales tax bond debt service account	5,072,627	5,072,627	-
Construction fund	1,594,488	1,594,488	-
Inflow and infiltration	2	2	-
Other debt service accounts		353,165	353,165
Customer meter deposits	109,977	109,977	-
Sales tax receivable	576,363	576,363	-
Total current assets	27,861,295	353,165	4,252,440
PROPERTY, PLANT, AND EQUIPMENT			
Property plant, and equipment, at cost	297,489,708	297,489,708	-
Less: Accumulated depreciation	(104,593,285)	(104,593,285)	-
Property plant, and equipment, net	192,896,423	192,896,423	-
Total assets	\$ 220,757,718	\$ 353,165	\$ 4,252,440
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities			
Accounts and other payables	\$ 1,748,113	\$ 1,748,113	\$ 42,548
Self insurance claims payable			4,171,258
Salaries payable	223,808	223,808	289,209
Retainage payable			-
Due to other funds	10,155,672	10,155,672	261,292
Total current liabilities	12,127,593	12,127,593	4,764,307
Current liabilities payable from restricted assets			
Bonds payable, net of unamortized debt expense	2,935,000	2,935,000	-
Accrued vacation leave	55,616	55,616	-
Accrued interest payable	157,724	157,724	-
Customer deposits	1,194,780	1,194,780	-
Total current liabilities payable from restricted assets	4,343,120	4,343,120	-
Noncurrent liabilities			
Accrued vacation leave	166,847	166,847	-
Bonds payable, net of unamortized debt expense	7,192,997	7,192,997	-
Total noncurrent liabilities	7,359,844	7,359,844	-
Total liabilities	23,830,557	23,830,557	4,764,307
NET POSITION			
Invested in capital assets, net of related debt	192,896,423	192,896,423	-
Restricted for			
Capital renewal and replacement and system improvements			-
Debt service		353,165	353,165
Inflow and infiltration			-
Self insurance			(511,867)
Unrestricted	4,030,738	4,030,738	-
Total net position	\$ 196,927,161	\$ 353,165	\$ (511,867)
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time			
			395,696
Net position of business-type activities			
		\$ 197,676,022	

See accompanying notes to financial statements.

ST. BERNARD PARISH GOVERNMENT

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position

For the year ended December 31, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer Division	Other Enterprise Funds	Total	
OPERATING REVENUES				
Charges for services	\$ 5,620,553	\$ -	\$ 5,620,553	\$ 1,180,567
Other operating revenues	90,138	-	90,138	-
Total operating revenues	5,710,691	-	5,710,691	1,180,567
OPERATING EXPENSES				
Personal services and related benefits	2,227,268	-	2,227,268	171,930
Utilities	883,393	-	883,393	-
Contractual services, supplies, and materials	784,721	-	784,721	-
Professional services	227,041	-	227,041	122,731
Insurance premiums	-	-	-	1,810,929
Insurance and claims expense	851,848	-	851,848	-
Depreciation and amortization	4,385,286	-	4,385,286	-
Other expenses	390,805	-	390,805	6,414
Total operating expenses	9,750,362	-	9,750,362	2,112,004
Operating income (loss)	(4,039,671)	-	(4,039,671)	(931,437)
NON-OPERATING REVENUES (EXPENSES)				
Sales tax	3,338,375	-	3,338,375	-
Interest earnings				
Restricted assets	852	-	852	-
Current assets	36,000	-	36,000	-
Interest expense and bank fees	(756,740)	-	(756,740)	3,560
Federal grants	43,469,657	-	43,469,657	-
Other nonoperating expenses	(2,448,799)	-	(2,448,799)	-
Deductions from taxes	(136,414)	-	(136,414)	-
Total non-operating revenues (expenses)	43,502,931	-	43,502,931	3,560
CHANGES IN NET POSITION BEFORE TRANSFERS	39,463,260	-	39,463,260	(927,877)
Transfers in	37,115,816	-	37,115,816	-
Transfers out	(3,665,547)	-	(3,665,547)	-
CHANGES IN NET POSITION	72,913,529	-	72,913,529	(927,877)
NET POSITION				
BEGINNING OF YEAR, AS RESTATED	124,013,632	353,165		416,010
END OF YEAR	\$ 196,927,161	\$ 353,165		\$ (511,867)
Adjustment for the net effect of the current year activity between the internal service funds and enterprise funds			(110,875)	
Changes in net position of business-type activities			\$ 72,802,654	

See accompanying notes to financial statements

ST BERNARD PARISH GOVERNMENT

Statement I

**Proprietary Funds
Statement of Cash Flows**

For the year ended December 31, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer Division	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 5,941,968	\$ -	\$ 5,941,968	\$ 1,180,567
Cash paid to suppliers of goods or services	(3,317,056)	-	(3,317,056)	(1,093,408)
Cash paid to employees	(2,184,731)	-	(2,184,731)	-
Net cash provided by operating activities	440,181	-	440,181	87,159
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in, net	33,450,269	-	33,450,269	-
Other non-operating revenue	(2,448,799)	-	(2,448,799)	-
Net payments to other funds	(185,095)	-	(185,095)	366,967
Net cash provided by non-capital financing activities	30,816,375	-	30,816,375	366,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	43,469,657	-	43,469,657	-
Sales tax receipts	3,201,961	-	3,201,961	-
Principal payments on outstanding bonds	(33,030,000)	-	(33,030,000)	-
Interest expense on outstanding bonds	(2,051,893)	-	(2,051,893)	-
Purchase of capital assets	(40,821,335)	-	(40,821,335)	-
Net cash used in capital and related financing activities	(29,231,610)	-	(29,231,610)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	-	-	-	(3,559)
Interest received	852	-	852	3,560
Net cash provided by capital and related financing activities	852	-	852	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,025,798	-	2,025,798	454,127
CASH AND CASH EQUIVALENTS				
BEGINNING OF YEAR	11,188,292	353,165	11,541,457	2,032,547
END OF YEAR	\$ 13,214,090	\$ 353,165	\$ 13,567,255	\$ 2,486,674
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	\$ (4,039,671)	-	(4,039,671)	\$ (931,437)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation and amortization	4,385,286	-	4,385,286	-
Allowance for uncollectible customer receivables	229,996	-	229,996	-
Decrease in customer receivable	(32,836)	-	(32,836)	-
Decrease in unbilled charges	18,702	-	18,702	-
Decrease in prepaids	(27,813)	-	(27,813)	33,406
Decrease in inventory	147,772	-	147,772	-
Decrease in accounts payable and accrued expenses	(285,873)	-	(285,873)	695,981
Decrease in salaries payable	29,203	-	29,203	289,209
Decrease in customer deposits	15,415	-	15,415	-
Net cash provided by operating activities	\$ 440,181	-	\$ 440,181	\$ 87,159

See accompanying notes to financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies

The Parish of St Bernard is a local governmental subdivision which operates under a home rule charter, under the authority of the Louisiana revised Statutes 33 1395 through 33 1395 6 The Home Rule Charter provides for a “president-council” form of government which consists of an elected council representing the legislative branch of the government and an elected president heading the executive branch

The basic financial statements of the St Bernard Parish Government (the Parish) have been prepared in conformity with U S generally accepted accounting principles (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB) The most significant accounting and reporting policies of the Parish are described in the following notes to the basic financial statements

Basis of Presentation – Financial Reporting Entity

The accompanying financial statements include financial statements for the Parish and certain legally separate organizations in accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100 Organizations are included if the Parish is financially accountable for them, or the nature and significance of their relationship with the Parish is such that exclusion would cause the Parish’s financial statements to be misleading or incomplete

The Parish is financially accountable for an organization if it appoints a voting majority of the organization’s governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity

Component Units

In accordance with GASB, the Parish has determined the following component units are part of the reporting entity

St. Bernard Parish Hospital	December 31, year end
St Bernard Parish Library	December 31, year end
St Bernard Parish Home Mortgage Authority	March 31, year end

Complete financial statements of the discretely presented component units can be obtained from their administrative offices The Parish has chosen to issue financial statements of the primary government only, therefore only the funds, organizations, institutions, agencies, departments, and offices that comprise the Parish’s legal entity are included GASB Codification provides for the issuance of primary government financial statements that are separate from those of the reporting entity However, the primary government’s (the Parish) financial statements are not a substitute for the reporting entity’s financial statements The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to government entities These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government only of the Parish.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Component Units (continued)

Considered in the determination of component units of the reporting entity were the Parish School Board, the Parish Assessor's Office, the Parish Clerk of Court, the Judicial Clerk's Fund of the Thirty-Fourth Judicial District Court, the Indigent Defender Board, the Parish Sheriff's Office, and the Council on Aging. It was determined that these governmental entities are not component units of the Parish Government reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Parish Government.

Basis of Presentation – Government-Wide Financial Statements

The Parish's basic financial statements include both government-wide (reporting the Parish as a whole) and fund financial statements (reporting the Parish's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Parish's judicial, general government, public safety, public works, cultural and recreation, and health and welfare services are classified as governmental activities. The Parish's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resources basis, which recognizes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the Parish's functions and business-type activities. The functions are also supported by general government revenues, including property taxes, sales taxes, and other general revenues. Program revenues must be directly associated with the function (judicial, general government, public safety, public works, cultural and recreation, and health and welfare), or a business-type activity. Operating grants include operating specific and discretionary grants, while the capital grants column reports capital specific grants. The net costs (by function and business-type activity) are normally covered by general revenues of the Parish. Indirect costs are not allocated by function for financial reporting in this statement, however, certain indirect costs which can be specifically identified by function or segment are included in the direct expenses of that function or segment.

This government-wide focus is more on the sustainability of the Parish as an entity and the changes in the Parish's net positions resulting from the current year's activities.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements

The financial transactions of the Parish are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column on the fund financial statements. GASBS No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

Governmental funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The various funds of the primary government are grouped into generic fund types and broad fund categories as follows:

(a) **General Fund** – The General Fund is the general operating fund of the Parish. It is used to account for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

(b) **Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the Parish. The two special revenue funds reported as major funds in the fund financial statements are as follows:

CDBG Disaster Fund – This special revenue fund is used to account for the proceeds and expenses associated with CDBG funds.

Disaster Recovery Fund – This special revenue fund accounts for grants received from the Federal Emergency Management Agency (FEMA) for natural disasters.

(c) **Debt Service Funds** – Debt service funds are established to meet requirements of bond ordinances and to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs. There are no debt service funds that are major funds.

(d) **Capital Projects Funds** – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund). In addition, the funds are used to account for major street repairs and the acquisition of movable fixed assets. There are no capital projects funds that are major funds.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements (continued)

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The Parish reports the following proprietary fund types:

- (a) **Enterprise Funds** – Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The Water and Sewer enterprise funds operate the Parish's water distribution system and its sewer system which primarily services the Parish's residents.
- (b) **Internal Service Funds** – Internal service funds are used to account for the financing of goods or services provided by an activity to other departments or funds of the Parish on a cost reimbursement basis. Because the principal users of the internal services are the Parish's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

Basis of Accounting-Measurement Focus

Basis of Accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other non-exchange revenues, including intergovernmental revenues and grants are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions

Cash and Cash Equivalents

The Parish'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

A single consolidated bank account has been established in a local bank into which monies are deposited and from which most disbursements are made The purpose of this consolidation is to reduce administrative costs and provide a single cash balance available for the maximization of investment earnings Each fund shares in the investment earnings according to its average cash balance, prorated between funds

For purposes of the statement of cash flows, cash includes petty cash and demand deposits Certain proceeds of the Enterprise funds revenue bonds and sales tax bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants

Investments

Investments are stated at fair value based on quoted market prices

Accounts Receivable

Major accounts receivable are recorded for (1) sales and use taxes, (2) ad valorem taxes, (3) road royalty, (4) customer and unbilled receivables in the Water and Sewer Enterprise Fund, and (5) federal grants receivable Accounts receivable are reported net of an allowance for uncollectibles The allowances are based on management's best estimate of uncollectible amounts

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Inventories and Prepaid Items

The Water and Sewer Division Enterprise Fund maintains an inventory of parts and expendable supplies that is valued at the lower of cost or market. The inventory is recognized as an expense when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as paid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets (i.e., land, buildings, equipment, and improvements other than buildings), which include the Parish's infrastructure and construction in progress, are stated at historical cost or estimated historical cost if historical cost is not known. Donated capital assets are recorded at their fair value on the date donated. An item is classified as an asset if the initial individual cost is \$5,000 or greater. Capital assets of the Parish are reported in the government-wide financial statements but not in the governmental fund financial statements. Assets subject to depreciation are depreciated using the straight-line method over estimated useful lives. A salvage value of 10% of historical cost is assigned to depreciable assets of the Parish.

Additions and improvements that significantly extend the useful life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

The Parish reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment in the carrying value of capital assets. If facts or circumstances support the possibility of impairment, management follows guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment will be made to the carrying value of the capital assets. During the year ended December 31, 2012, an impairment loss of \$6,539,142 was recorded in the Statement of Activities.

The estimated useful lives (in years) of all depreciable assets are as follows:

Buildings and improvements	20 – 40
Furniture, fixtures, and equipment	5 – 10
Machinery and equipment	5 – 15
Bridges	40
Water and sewerage systems	25
Canals	30 – 50
Road system	20 – 40

Capital assets are included in the capital asset accounts until their disposal. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement, and any resulting gain or loss is recorded in the financial statements.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Parish before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Parish has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Liability for Claims and Judgments

The Insurance Fund was established to account for the self-insurance of workmans' compensation, unemployment compensation, general, and automobile liability by the Parish Government. The Parish Government is self-insured for claims up to \$250,000 per occurrence.

The Parish Government has an insurance policy for claims between \$250,000 and \$5,000,000 per occurrence. One independent insurance service company administers the fund. The estimated claims liability related to prior years' workers compensation claims are computed by subtracting paid claims from the reserves previously set up to arrive at remaining reserves and then developing that number based on factors determined by the third party administrator using historical data. The estimated claims liability related to prior years' general liability and auto claims was estimated by the Parish Government's legal department based on a claim by claim evaluation to determine the potential loss. Estimated claims liability related to the current year's general liability, auto and workers' compensation was determined by using the average annual claims expense incurred for each type of coverage based on the fund's history.

An annual analysis of all open policy years for workers' compensation and automobile and general liability is completed by the risk manager and legal counsel to determine the exposure in each policy year. When it is determined that losses on outstanding and current claims can be reasonably estimated, an evaluation on the policy year is performed. The evaluation determines if a dividend can be declared by the self-insurance fund for that policy year. Once it is determined that a dividend can be declared, the findings are reviewed by the administration and presented before the Parish Council. The Parish Council then must pass an ordinance declaring a dividend from the self-insurance fund and dedicating the dividend to a project. There were no dividends paid for the year ended December 31, 2012.

Annual and Sick Leave

Substantially all employees of the Parish Government earn from 10 to 20 days of annual leave each year depending on length of service. Annual leave accumulated in one year must be used by December 31 of the following year. Accumulated annual leave may be used only after 26 weeks of service. Substantially all employees of the Parish Government accrue one day of sick leave for each month of continuous employment. Sick leave may be accumulated to a maximum of 90 days.

Fire department employees may be paid out for their accrued vacation upon retirement or termination. Firefighters can get paid up to 1/3 of their accumulated sick pay upon termination. According to L R S 33 1995, firemen employed by the Parish Government are entitled to full pay during sickness or incapacity not brought about by the fireman's own negligence for a period of fifty-two weeks. At December 31, 2012, accrued vacation was \$1,141,403 and accrued sick leave was \$276,051 for governmental activities.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Annual and Sick Leave (continued)

At December 31, 2012, the accrued vacation was \$217,574 and accrued sick leave was \$4,889 for business type activities. In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Government-wide and Proprietary Fund Net Position

The Parish has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective fiscal year 2012. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the *statement of net assets title is now referred to as the statement of net position*. The *statement of net position* reports net position as the difference between all other elements in a statement of net position. In the government-wide financial statements, net position is displayed into three components:

- a. Invested in capital assets, net of related debt – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position - consists of assets that are restricted by the Parish's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- c. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt"

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies (continued)

Governmental Fund Balances

In the governmental fund financial statements fund balances are classified as follows

Non-Spendable Fund Balance - amounts that cannot be spent either because they are in a non-spendable form (such as prepaid expenses) or because they are legally or contractually required to be maintained intact

Restricted Fund Balance - amounts that can be spent only for specific purposes because of the Parish Charter, state or federal laws, or externally imposed conditions by grantors or creditors

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority by a vote of the Parish Council, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint

Assigned Fund Balance - amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governmental body delegates the authority such as the Parish and its management

Unassigned Fund Balance - all amounts not included in other spendable classifications

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are eliminated in the Statement of Net Position. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements

Operating Revenues and Expenses

The Parish's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Parish's water and sewer funds consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(1) **Summary of Significant Accounting Policies (continued)**

Budgets

The procedures used by the Parish in establishing the budgetary data reflected in the financial statements are as follows

At least ninety (90) days before the beginning of each fiscal year, the Parish President submits a balanced consolidated line item operating and capital budget on a modified accrual basis of accounting in accordance with the Louisiana Local Government Budget Act and in a format established by the Parish. The Parish President submits, with the budget, a budget message containing recommendations concerning the fiscal policy of the Parish, a description of the important factors of the budget, and an explanation of all major increases or decreases of budget recommendations as compared with expenditures of prior years. The Parish Council publishes the proposed budget in the official journal at least ten (10) calendar days before the meeting at which the budget is to be adopted. The Council may amend the budget before adoption, except that in no event shall the Council cause the total proposed expenditures to exceed means of financing. If the Council fails to act on the budget within the time limit provided, it shall be adopted as submitted by the Parish President. The budget constitutes an appropriation of funds for all purposes contained therein. The budget ordinance becomes effective on the first day of the fiscal year unless otherwise provided therein.

If during the fiscal year the Parish President certifies that there are available revenues in excess of those estimated in the budget, he shall present a supplemental budget for the disposition of such revenues to the Council. The Council by ordinance may make supplemental appropriations up to the amount of the excess. To meet a public emergency affecting life, health, property, or the public peace, the Council may make emergency appropriations. The appropriations may be made by emergency ordinance in accordance with the provisions of Article II, Section 2 - 14 of the Home Rule Charter. To the extent that there are no available unappropriated revenues, the governing authority may borrow money to meet the emergency. The repayment shall be a fixed charge upon the revenue of the following year and shall be included in the operating budget for that year. If during the fiscal year it appears that revenues available will be insufficient to meet the amount appropriated, the Parish President shall indicate the estimated amount of the deficit and recommend to the Council steps to be taken. The Council shall take action as it deems necessary to prevent any deficit.

(2) **Deposits and Investments**

Deposits. The Parish's deposits are subject to and maintained in accordance with the State of Louisiana's Constitutional Revised Statutes (Revised Statutes). Under the Revised Statutes, all deposits exceeding the amount insured by the FDIC are to be fully collateralized with specific approved securities designated therein valued at 102% of the deposits. The eligible collateral pledged are held in custody by any Federal Reserve Bank, or branch thereof or an independent third party with whom the Parish has a current custodial agreement. All collateral held must be clearly marked, indicating evidence of ownership (safekeeping receipt). Deposits collateralized under the Revised Statutes are considered collateralized with securities held by the pledging financial institutions trust department or agent in the "Parish's name."

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(2) Deposits and Investments (continued)

At December 31, 2012, the carrying amount of the Parish's deposits was \$40,712,289

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. At December 31, 2012, the Parish's bank balances totaled \$43,537,579. These bank deposits were completely secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Parish's name at December 31, 2012.

Investments. State statutes authorized the Parish Government to invest in obligations of the U S Treasury, agencies, and instrumentalities, commercial paper rated AAA 1, 2, or 3, repurchase agreements, and the Louisiana Asset management pool (LAMP)

The Parish invests monies with the Louisiana Asset Management Pool (LAMP). At December 31, 2012, the Parish held \$290,338 in LAMP in the internal service funds. LAMP is administered by LAMP Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB standards requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7- like investment pool. The following facts are relevant for 2a7 like investment pools.

- Credit risk. LAMP is rated AAAM by Standard & Poor's
- Custodial credit risk. LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool, therefore, no disclosure is required.
- Concentration of credit risk. Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 54 as of December 31, 2012.
- Foreign currency risk. Not applicable to 2a7 -like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(2) Deposits and Investments (continued)

The Parish follows GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value, which is based on available market values. The Local Government Investment Pool is a "2a-7-like" pool in accordance with GASB Statement No 31, therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value.

GASB standards requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

Interest Rate Risk – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The Parish manages interest rate risk for investments under the control of the Parish by limiting the maximum maturity of investments in accordance with their investment policy. As stated in its investment policy, the Parish will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, cash will not be invested in securities maturing more than three years from the date of purchase.

At December 31, 2012, the governmental and fiduciary funds, investment balances and maturities for those investments were as follows (amounts in thousands)

	<u>Investment maturity in years</u>	
	<u>Total</u>	<u>Less than one year</u>
LAMP	\$ 290,338	\$ 290,338
Certificate of Deposit	572,331	572,331
Total investments	<u>\$ 862,669</u>	<u>\$ 862,669</u>

Credit Quality Risk – Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the Parish. The Parish does not have a policy statement concerning credit quality risk in its investment policy. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U S government or obligations explicitly guaranteed by the U S government are not assigned credit quality ratings. Credit quality ratings are reported on obligations of U S government agencies not explicitly guaranteed by the U S government. LAMP has been rated AAA by Standard & Poor's Corporation.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(2) Deposits and Investments (continued)

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure, the Parish will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the Parish's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the Parish's name. The investments of the Parish at December 31, 2012 were not subject to custodial credit risk.

The Parish has no formal investment policy regarding custodial credit risk or concentration of credit risk.

(3) Sales Tax Revenues

At December 31, 2012, the total sales tax levied in the Parish is 9%, of which 4% is state sales tax, 2% is levied by the St. Bernard Parish School Board (the School Board), and 5% is dedicated to the St. Bernard Parish Sheriff. The remaining 2.5% is used to fund the general operations of the Parish. The 2.5% sales tax revenue dedicated to the Parish is recorded in the financial statements as follows: 1.5% is general government operations of the Parish (general fund), .5% is for sanitation (non-major special revenue fund), and .5% is for water & sewerage (proprietary funds). The sales tax for water and sewer is dedicated for improvements to the sewer and water system including authority to fund bonds with the tax, provided that at least 25% of the annual revenues of the sales tax must be expended to correct inflow and infiltration in sewerage collection lines, or to repair damages caused thereby, unless required for debt services on bonds or otherwise approved by at least two-thirds of the Parish Council. The St. Bernard Parish Sheriff is authorized to collect and remit this tax to the Parish government and School Board for a stipulated fee.

(4) Ad Valorem Tax

The Parish levies a tax on real and personal property. Portions of these property taxes are dedicated for fire and police protection services and the public library system. Taxes on real and personal property are levied on November 1 of the assessment year based upon the assessed value as of the prior January 1. However, before the tax can be levied, the tax rolls must be submitted to the State Tax Commission for approval. Taxes are due and payable on November 15, the date on which an enforceable lien attaches on the property, and are delinquent on December 31.

The assessed value of property in the Parish for each year is determined by an elected Board of Assessors. It is then certified by the Louisiana Tax Commission as complying with the Louisiana Constitution of 1974. The Parish is permitted by the Louisiana statutes to levy taxes up to \$32.71 per \$1,000 of assessed valuation for general governmental services (including fire) other than the payment of principal and interest on long-term debt and other purposes specifically approved by the voters. It is permitted to levy taxes in unlimited amounts for the payment of principal and interest on general obligation bonds of the Parish.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(4) Ad Valorem Tax (continued)

Property tax levies per \$1,000 of assessed valuation accounted for within the funds of the Parish (primary government only) for the year ended December 31, 2012 are as follows

General		
General governmental services	\$	2 70
Special revenue		
Fire Protection District No 1		7 27
Fire Protection District No 2		8 05
St Bernard Council on Aging		0 94
Recreation		2 16
Public Works (Road District No 1)		3 04
Road Lighting District No 1		1 21
Public health		0 62
Garbage District No 1		3 04
	<u>\$</u>	<u>29 03</u>

Property taxes levied on November 15, 2012, collected during 2012, or expected to be collected within the first 60 days of 2013, are recognized as revenues in the statement of revenues, expenditures, and changes in fund balances – governmental funds. The entire estimated collectible amount of the tax levy for the fiscal year is recorded as revenue in the government-wide financial statements. Property taxes paid under protest are held in escrow until resolution of the dispute. Amounts collected for other governmental entities are accounted for in the agency funds.

(5) Allowance for Uncollectible Receivables

The allowance for estimated uncollectible receivables is based on historical collection experience and other relevant circumstances. The allowance for estimated uncollectible amounts of the primary government consists of the following:

Governmental funds:

General Fund	\$	25,726
Non-major governmental funds		243,054

Business-type funds:

Water and Sewer Division		<u>513,056</u>
Total allowance for uncollectibles	<u>\$</u>	<u>781,836</u>

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(6) Capital Assets

A summary of changes in capital assets of governmental activities and business-type is as follows

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deletions and adjustments</u>	<u>Transfers</u>	<u>Balance December 31, 2012</u>
<u>Governmental Activities:</u>					
Nondepreciable capital assets					
Land	\$ 16,146,038	\$ 3,099,763	\$ -	\$ -	\$ 19,245,801
Construction in progress	225,900,829	43,977,842	-	(243,139,275)	26,739,396
Total nondepreciable capital assets	<u>242,046,867</u>	<u>47,077,605</u>	<u>-</u>	<u>(243,139,275)</u>	<u>45,985,197</u>
Depreciable capital assets:					
Land improvements	20,167	-	-	-	20,167
Buildings and improvements	82,364,384	-	(12,054,160)	59,371,907	129,682,131
Furniture, fixtures, and equipment	381,929	-	-	-	381,929
Machinery and equipment	17,217,381	397,945	-	147,048	17,762,374
Road system	41,836,495	-	-	183,620,320	225,456,815
Bridges	1,363,360	-	-	-	1,363,360
Total depreciable capital assets	<u>143,183,716</u>	<u>397,945</u>	<u>(12,054,160)</u>	<u>243,139,275</u>	<u>374,666,776</u>
Less accumulated depreciation	<u>(32,362,777)</u>	<u>(13,714,678)</u>	<u>5,515,018</u>	<u>-</u>	<u>(40,562,437)</u>
Total depreciable capital assets, net	<u>110,820,939</u>	<u>(13,316,733)</u>	<u>(6,539,142)</u>	<u>243,139,275</u>	<u>334,104,339</u>
Total governmental activities capital assets, net	<u>\$ 352,867,806</u>	<u>\$ 33,760,872</u>	<u>\$ (6,539,142)</u>	<u>\$ -</u>	<u>\$ 380,089,536</u>
<u>Business-type Activities:</u>					
Nondepreciable capital assets					
Land	\$ 221,036	\$ -	\$ -	\$ -	\$ 221,036
Construction in progress	66,005,228	40,580,332	-	(57,664,959)	48,920,601
Total nondepreciable capital assets	<u>66,226,264</u>	<u>40,580,332</u>	<u>-</u>	<u>(57,664,959)</u>	<u>49,141,637</u>
Depreciable capital assets:					
Buildings	16,551,865	-	-	57,610,434	74,162,299
Furniture, fixtures, and equipment	36,492	-	-	-	36,492
Machinery and equipment	1,869,006	46,341	-	5,025	1,920,372
Infrastructure	172,023,005	98,690	-	49,500	172,171,195
Total depreciable capital assets	<u>190,480,368</u>	<u>145,031</u>	<u>-</u>	<u>57,664,959</u>	<u>248,290,358</u>
Less accumulated depreciation	<u>(100,475,986)</u>	<u>(4,059,586)</u>	<u>-</u>	<u>-</u>	<u>(104,535,572)</u>
Total depreciable capital assets, net	<u>90,004,382</u>	<u>(3,914,555)</u>	<u>-</u>	<u>57,664,959</u>	<u>143,754,786</u>
Total business-type activities capital assets, net	<u>\$ 156,230,646</u>	<u>\$ 36,665,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,896,423</u>

At December 31, 2012, construction progress in the business-type activities primarily consists of water treatment plant expansion and improvements to the sewer sanitary system

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(6) Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as

Governmental Activities:

General government	
Judicial	\$ 1,811,850
Library	26,438
Other general government	316,534
Public safety	806,827
Public works	9,972,317
Culture and recreation	728,567
Health and welfare	52,145
Total depreciation expense - governmental activities	<u>\$ 13,714,678</u>

Business-type Activities:

Water and sewer	<u>\$ 4,059,586</u>
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(7) Long-Term Debt

Bond Transactions – governmental funds

The Parish issues bonds to provide for the acquisition and construction of major capital facilities. Bonds payable, at December 31, 2012 comprise the following:

<u>Description</u>	<u>Original issue</u>	<u>Range of average interest rates</u>	<u>Amount outstanding</u>	<u>Due in one year</u>
2003 Sales Tax Refunding Bonds, paid in full in March 2013	\$ 6,970,000	3.9 – 4.65%	\$ 280,000	\$ 280,000
2012 Sales Tax Refunding Bonds, due in annual installments ranging from \$470,000 to \$3,515,000 commencing March 2014 through March 2024	33,885,000	0.9 - 4.0%	33,885,000	-
			<u>34,165,000</u>	<u>\$ 280,000</u>
			Bond premium at December 31, 2012	
			<u>2,329,502</u>	
			<u>\$ 36,494,502</u>	

On January 1, 2003, the 2003 Sales Tax Refunding Bonds were issued for the purpose of refunding the 1996 Public Improvement Bonds and making capital improvements. A portion (\$3,200,000) of the 2003 bonds were defeased during the year ended December 31, 2012 with proceeds from the 2012 Sales Tax Refunding Bonds. On July 17, 2012, the 2012 Sales Tax Refunding Bonds were issued for the purpose of refunding the 2003 Sales Tax Refunding Bonds and the 2004 Sales Tax Bonds.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(7) Long-Term Debt (continued)

Bond Transactions – proprietary funds

<u>Description</u>	<u>Original issue</u>	<u>Range of average interest rates</u>	<u>Amount outstanding</u>	<u>Due in one year</u>
2004 Sales Tax Bonds due in annual installments ranging from \$45,000 to \$2,415,000 commencing August 2004 through March 2024	\$ 50,000,000	4 0-5 0%	\$ 5,255,000	\$ 2,320,000
2008 Sales Tax Refunding Bonds, due in annual installments ranging from \$615,000 to \$795,000 commencing March 2008 through March 2019	6,715,000	3 88%	<u>4,920,000</u>	<u>615,000</u>
			<u>10,175,000</u>	<u>\$ 2,935,000</u>
			<u>129,288</u>	
			<u>\$ 10,304,288</u>	
			Bond premium at December 31, 2012	

On August 1, 2004, the 2004 Sales Tax Bonds were issued to provide for capital improvements to the Water and Sewer funds. A portion (\$30,210,000) of the 2004 Sales Tax bonds were defeased during the year ended December 31, 2012 with proceeds from the 2012 Sales Tax Refunding Bonds.

The payment requirements for all bonds outstanding, including, as of December 31, 2012, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending December 31		
2013	\$ 3,215,000	\$ 1,703,159
2014	3,525,000	1,562,140
2015	3,675,000	1,404,927
2016	3,780,000	1,273,712
2017	3,910,000	1,123,152
2018 – 2022	19,195,000	3,259,174
2023 – 2027	<u>7,040,000</u>	<u>279,000</u>
	<u>\$ 44,340,000</u>	<u>\$ 10,605,264</u>

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(7) Long-Term Debt (continued)

The Parish's legal debt limit for General Obligation Bonds is \$31,297,132. At December 31, 2012, Parish's outstanding debt is funded through sales taxes receipts. At December 31, 2012, the Parish has \$26,297,132 available for general obligation debt.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. At December 31, 2012, management believes it is in compliance with all financial related covenants.

General Obligation Refunding Bonds, Series 2012

In July 2012, the Parish issued \$33,885,000 of Sales Tax Refunding Bonds (Series 2012) to refund \$30,210,000 of the Series 2004 Sales Tax Bonds, and \$3,200,000 of the Series 2003 Sales Tax Bonds. The cost of issuance of the Series 2012 Sales Tax Refunding Bonds totaled \$348,120 and the net deferred loss on refunding was \$130,823. By refunding these bonds, the Parish reduced its total debt service payments over the next 11 years by approximately \$1,889,518 and obtained an economic gain of approximately \$1,612,440. Included in the Enterprise fund non-operating expenses is \$2.4 million placed in escrow for the bonds defeased during 2012.

Defeased Bonds

The Series 2003 Sales Tax Bonds and Series 2004 Sales Tax Bonds were partially advanced refunded in 2012. A portion of the proceeds from a subsequent bond issuance was placed in escrow with a trustee. The principal and interest from these invested funds is used to service the debt of the refunded issue. Neither the escrow fund nor the Series 2003 and Series 2004 bonds payable are shown in the accompanying statement of net position. At December 31, 2012, the outstanding balance of the defeased Series 2003 and 2004 bonds was \$3,200,000 and \$30,210,000, respectively.

Revenue Anticipation Note

In October 2012, the Parish issued a revenue anticipation note in the amount of \$5,000,000 to pay the costs of current operations of the Parish. The note bears interest at 3.25% and matures on March 1, 2013. At December 31, 2012, the note had a balance of \$60,000 which was paid in full in February 2013.

Loans Payable

During the year ended December 31, 2009, the Parish entered into a long-term agreement with the Federal Emergency Management Agency under the Community Disaster Loan Act as a result of the major disaster declaration relating to Hurricane Gustav. The Parish did not receive any funds for the CDL loan during the year ended December 31, 2012. At December 31, 2012, the balance on the CDL loan is \$5,000,000 and accrued interest is \$333,390. The loan is for a term of five years with annual payments of principal and interest (rate of 1.875%) through the maturity date of April 2014. Simple interest accrues on the outstanding principal balance until payment in full on the maturity date.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(7) Long-Term Debt (continued)

The requirements to amortize the CDL loan are as follows

	<u>Principal</u>	<u>Interest</u>
Year ending December 31		
2013	\$ -	\$ -
2014	5,000,000	403,510
	<u>\$ 5,000,000</u>	<u>\$ 403,510</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows

	<u>January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2012</u>	<u>Due in one year</u>
<u>Governmental Activities</u>					
Claims and judgments (note 12)	\$ 2,788,827	\$ 1,393,878	\$ (570,897)	\$ 3,611,808	\$ -
Accrued annual and sick leave (note 1)	1,436,043	-	(18,589)	1,417,454	354,364
Sales tax bonds	3,750,000	33,885,000	(270,000)	37,365,000	280,000
Premium on sales tax bonds payable	-	2,433,041	-	2,433,041	-
Community Disaster Loan	5,000,000	-	-	5,000,000	-
Post-employment benefits (note 7)	1,312,348	1,261,271	(1,011,100)	1,562,519	-
	<u>\$ 14,287,218</u>	<u>\$ 38,973,190</u>	<u>\$ (1,870,586)</u>	<u>\$ 51,389,822</u>	<u>\$ 634,364</u>
<u>Business-type Activities</u>					
Claims and judgments (note 12)	\$ 413,610	\$ 283,693	\$ (137,853)	\$ 559,450	\$ -
Accrued annual and sick leave (note 1)	209,129	13,334	-	222,463	55,616
Sales tax bonds	43,205,000	-	(33,030,000)	10,175,000	2,935,000
Premium on sales tax bonds payable	927,288	-	(798,000)	129,288	-
	<u>\$ 44,755,027</u>	<u>\$ 297,027</u>	<u>\$ (33,965,853)</u>	<u>\$ 11,086,201</u>	<u>\$ 2,990,616</u>

The long-term liabilities will be repaid from the General Fund, and the Sales Tax Bonds which will be repaid from the Debt Service Funds and the Sewer and Water Funds. At December 31, 2012, the debt service funds had \$1,124,584 in fund balance reserved to service debt.

(8) Operating Lease Income

The Parish's governmental activities recorded lease income of \$103,256 from four lease agreements in effect during the year ended December 31, 2012. The Parish's business-type activities recorded lease income of \$74,030 from six lease agreements in effect during the year ended December 31, 2012. The Parish has also granted the St. Bernard Parish School Board the use of property at St. Bernard Highway and Palmisano Boulevard free of rent for a period of thirty years.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(8) Operating Lease Income (continued)

The future minimum rental for the next five years and in the aggregate are

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 92,550	\$ 68,990
2014	92,550	68,190
2015	92,550	54,182
2016	92,550	56,731
2017	92,550	56,731
2018-2022	462,750	183,043
Total	<u>\$ 925,500</u>	<u>\$ 487,867</u>

(9) Interfund Payables, Receivables and Transfers

The primary purpose of interfund receivables and payables is to loan monies from the general fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at December 31, 2012, were as follows

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental funds		
Major funds		
General Fund	\$ 9,454,057	\$ 8,379,000
Disaster Recovery Fund	14,066,481	15,888,874
Non-major funds	4,957,656	6,739,521
Total governmental funds	<u>28,478,194</u>	<u>31,007,395</u>
Proprietary fund		
Water and Sewer Fund	12,053,484	10,155,672
Self Insurance Internal Service	286,909	-
Water and Sewer Self Insurance Internal Service	605,772	261,292
Total proprietary funds	<u>12,946,165</u>	<u>10,416,964</u>
Total all funds	<u>\$ 41,424,359</u>	<u>\$ 41,424,359</u>

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(9) Interfund Payables, Receivables and Transfers (continued)

Transfers between funds during the year ended December 31, 2012 are as follows

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds		
Major funds		
General Fund	\$ 2,322,862	\$ 9,657,196
CDBG Disaster Fund	2,437	-
Disaster Recovery Fund	1,679,772	-
Non-major funds	10,126,331	37,924,475
Total governmental funds	14,131,402	47,581,671
Proprietary fund		
Water and Sewer Fund	37,115,816	3,665,547
Total proprietary funds	37,115,816	3,665,547
Total all funds	\$ 51,247,218	\$ 51,247,218

The significant operating transfers during the year ended December 31, 2012 related to the transfer of \$33,210,000 from the 2012 Sales Tax Refunding Bonds Fund to the Water and Sewer Fund (\$30,210,000) and the 2003 Sales Tax Refunding Bonds Fund (\$3,200,000)

(10) Employee Retirement Systems

The Parish Government contributes to the Parochial Employees Retirement System of Louisiana, the Firefighters' Retirement System, the District Attorneys' Retirement System of Louisiana, and the Registrar of Voters Retirement System. The Parish's payroll for employees covered by the retirement systems for the year ended December 31, 2012 was \$14,016,543 (which includes a Parish payroll of \$12,150,881 and Water and Sewer Division payroll of \$1,865,662)

a) Parochial Employees' Retirement System

Employees of the Parish and Water and Sewer Division are members of the Parochial Employees' Retirement System of Louisiana (the System), a multiple-employer (cost sharing), public-employee retirement system (PERS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(10) Employee Retirement Systems (continued)

a) **Parochial Employees' Retirement System (continued)**

Plan Description - The Parish and Water and Sewer Division contribute to Plan A of the Parochial Employees' Retirement System of Louisiana (the System), cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1901 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P O Box 14619, Baton Rouge, Louisiana 70898-4619.

Funding Policy - Plan members are required to contribute 9.50% of their annual-covered salary. Employer contributions are actuarially determined every fiscal year according to statutory process. The current rate is 15.75% of annual payroll, which is unchanged from prior year. The contribution requirements of plan members and the Parish and Water and Sewer Division are established and may be amended by state statute. The Parish Government's contributions to the System for the years ended December 31, 2012, 2011 and 2010 were \$1,374,057, \$1,324,392, and \$1,192,858, respectively, equal to the required contributions for each year. For the year ended December 31, 2012, the total payroll for Water and Sewer Division employees covered by the System under Plan A was \$1,865,662. The Water and Sewer Division's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$293,841, \$281,534, and \$267,822, respectively, equal to the required contributions for each year.

b) **Firefighters' Retirement System**

Plan Description - The Parish contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 434 of the 1979 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2251 through 11:2269, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, 2051 Silverside Drive, Suite 210, Baton Rouge, Louisiana 70808-4136.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(10) Employee Retirement Systems (continued)

b) **Firefighters' Retirement System (continued)**

Funding Policy - Beginning January 1, 2012, plan members are required to contribute 10.00% of their earnable compensation and the Parish is required to contribute at an actuarially determined rate. Beginning January 1, 2012, the Parish was paying a rate of 23.25% of payroll. On July 1, 2012, that rate increased to 24.00% of annual-covered payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$1,196,993, \$977,736, and \$745,655, respectively, equal to the required contributions for each year.

c) **District Attorney's Retirement System**

Plan Description - The Parish contributes to the District Attorneys' Retirement System (the System), a cost sharing multiple employer public employee retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 56 of the 1956 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1581 through 11:1702, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to District Attorney Retirement System, 2109 Decatur Street, New Orleans, Louisiana 70116.

Funding Policy - Plan members are required to contribute 7% of their compensation to the System. Beginning January 1, 2012, the Parish was paying a rate of 9.75% of payroll. On July 1, 2012, that rate increased to 10.25% of annual-covered payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$25,181, \$23,277, and \$16,754, respectively, equal to the required contributions for each year.

d) **Registrar of Voters Retirement System**

Plan Description - The Parish contributes to the Registrar of Voters Retirement System (the System), a cost sharing multiple-employer plan (Retirement System Trust Fund) and a Savings Plan (Members' Supplemental Savings Trust Fund) which is controlled and administered by a separate Board of Trustees. The System provides normal retirement, early retirement, disability retirements and death benefits, are provided as specified in the plan. The plan was established as of January 1, 1955 by Act 215 of 1954, under R.S. Title 11:2032, as amended, for the purpose of providing retirement allowances and other benefits for registrars of voters, their deputies and their permanent employees in each parish of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Registrars of Voters Employees' Retirement System 300 State Street Room 107 Jennings, Louisiana 70546.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(10) Employee Retirement Systems (continued)

d) Registrar of Voters Retirement System (continued)

Funding Policy – Plan members are required to contribute 7.00% of their compensation to the System. Beginning January 1, 2012, the Parish was paying a rate of 15.50% of payroll. On July 1, 2012, that rate increased to 19.75% of annual-covered payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 2012, 2011, and 2010 were \$6,239, \$4,340, and \$3,105, respectively, equal to the required contributions for each year.

(11) Post Employment Benefits

Plan Description

St. Bernard Parish Government's medical and life benefits are provided to eligible employees and retired employees and their dependents. The plan is a single employer plan and is funded by a combination of contributions from the Parish and the retirees. No separate audited postemployment benefit plan report is available for this plan.

The retirement eligibility (D.R.O.P. entry) provision (other than firefighters) are as follows for employees hired prior to January 1, 2007: 30 years of service at any age, age 55 and 25 years of service, age 60 and 10 years of service, or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 (other than firefighters), the provisions are as follows: age 55 and 30 years of service, age 62 and 10 years of service, or, age 67 and 7 years of service. The retirement eligibility (D.R.O.P. entry) provisions for firefighters are as follows: age 55 and 12 years of service, age 50 and 20 years of service, 25 years of service at any age. See the section to follow entitled "Post Employment Benefit Plan Eligibility Requirements" for the assumptions as to actual retirement.

Contribution Rates

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy

Until December 31, 2007, the Parish Government recognized the cost of providing post-employment medical benefits (the Parish Government's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective January 1, 2008, the Parish Government implemented Government Accounting

Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs. The contribution requirements of the plan members and the Parish are established and may be amended by the Parish Council.

In 2012, the Parish Government's portion of health care funding cost for retired employees totaled \$1,011,100. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the next page.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(11) Post Employment Benefits (continued)

Annual Required Contribution

The Parish Government's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the postemployment benefits. The total ARC for the fiscal year beginning January 1, 2012 is \$1,261,874 as set forth below.

	<u>Medical</u>
Normal cost	\$ 107,764
30 year UAL amortization amount	1,099,771
Interest adjusted to year end	<u>54,339</u>
Annual required contribution (ARC)	<u>\$ 1,261,874</u>

Net Post-Employment Benefit Obligation

The table below shows the Parish Government's net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending December 31, 2012.

	<u>Medical</u>
Beginning net OPEB Obligation January 1, 2012	<u>\$ 1,312,348</u>
Annual required contribution	1,261,874
Interest on net OPEB Obligation	59,056
ARC adjustment	<u>(59,659)</u>
OPEB cost	1,261,271
Contribution	-
Current year retiree premium	<u>(1,011,100)</u>
Change in net OPEB Obligation	<u>250,171</u>
Ending net OPEB Obligation December 31, 2012	<u>\$ 1,562,519</u>

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(11) Post Employment Benefits (continued)

Net Post-Employment Benefit Obligation (continued)

The following table shows the Parish Government's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset)

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
Medical/Life	12/31/2010	\$ 1,060,334	88 18%	\$ 1,146,063
Medical/Life	12/31/2011	\$ 1,101,240	84 90%	\$ 1,312,348
Medical/Life	12/31/2012	\$ 1,261,271	80 17%	\$ 1,562,519

Funded Status and Funding Progress

In the fiscal year ending December 31, 2012, the Parish Government made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of December 31, 2012, the end of the fiscal year, the Actuarial Accrued Liability (AAL) was \$25,280,287, which is defined as that portion, as determined by a particular actuarial cost method (St. Bernard Parish Government uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal years 2012, 2011, 2010, the entire actuarial accrued liability of \$25,280,287 was unfunded.

Actuarial Accrued Liability (AAL)	\$ 25,280,827
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actual Accrued Liability (UAAL)	<u>\$ 25,280,827</u>
Funded Ratio (Act Val Assets/AAL)	<u>0%</u>
Covered Payroll (active plan members)	<u>\$ 13,617,704</u>
UAAL as a percentage of covered payroll	<u>185 6%</u>

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of event far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate, (2) retirement rate, (3) health care cost trend rate, (4) mortality rate, (5) discount rate (investment return assumption), and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(11) Post Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Parish Government and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Parish Government and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Parish Government and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Projected Entry Age Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

The Plan was not funded during the year ended December 31, 2012 and has no assets at December 31, 2012. It is anticipated that if contributions are made in future years, in future valuations a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. Employee turnover of 144.9% of the turnover rate table utilized by the Parish for its 2012 valuation has been used. The adjustment reflects actual Parish turnover rates over the past five years.

Post Employment Benefit Plan Eligibility Requirements

Based on past experience, it has been assumed that entitlement to benefits will commence three years after retirement eligibility (D R O P entry). Medical benefits are provided to employees upon actual retirement. The retirement eligibility (D R O P entry) provisions (other than firefighters) are as follows for employees hired prior to January 1, 2007: 30 years of service at any age, age 55 and 25 years of service, age 60 and 10 years of service, or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 (other than firefighters), the provisions are as follows, age 55 and 30 years of service, age 62 and 10 years of service, or, age 67 and 7 years of service. The retirement eligibility (D R O P entry) provisions for firefighters are as follows: age 55 and 12 years of service, age 50 and 20 years of service, 25 years of service at any age. Entitlement to benefits continues through Medicare to death.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(11) Post Employment Benefits (continued)

Investment Return Assumptions (Discount Rate)

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded) Since the ARC is not currently being funded and not expected to be funded in the near future, a 4% annual investment return has been used in this valuation This is a conservative estimate of the expected long-term return of a balanced and conservative investment portfolio under professional management

(12) Self Insurance/Risk Management

The Parish Government is exposed to various risks of loss related to general liability, auto liability, workers' compensation, unemployment compensation, property, and group health benefits Various suits and claims arising from personal injury and property damage, some for substantial amounts, are pending against the Parish Government, its insurers and others In accordance with the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 450-20-25-2, *Contingencies*, the Parish Government's Internal Service Fund and the Division have provided for, in their financial statements, estimated losses from the aforementioned pending suits and claims based on the estimated ultimate cost of settling the claims, considering the effects of inflation, recent claim settlement trends and other social and economic factors, including the effects of specific incremental claim adjustment expense, salvage and subrogation The Parish Government believes the ultimate settlement cost will not materially exceed the amounts provided for the claims The following table represents the amounts recorded in the financial statements as of and for the year ended December 31, 2012

	<u>Balance</u> <u>12/31/2011</u>	<u>New Claims</u> <u>and Changes</u> <u>in Estimates</u>	<u>Benefits/</u> <u>Losses</u> <u>Paid</u>	<u>Balance</u> <u>12/31/2012</u>
<u>Governmental Activities:</u>				
Automobile/General Liability	\$ 1,923,892	\$ 460,055	\$ (91,124)	\$ 2,292,823
Workers Compensation	864,935	933,823	(479,773)	1,318,985
Total Governmental Activities	<u>\$ 2,788,827</u>	<u>\$ 1,393,878</u>	<u>\$ (570,897)</u>	<u>\$ 3,611,808</u>
<u>Business-type Activities:</u>				
Automobile/General Liability	\$ 121,908	\$ 17,082	\$ (7,082)	\$ 131,908
Workers Compensation	291,702	266,611	(130,771)	427,542
Total Business-type Activities	<u>\$ 413,610</u>	<u>\$ 283,693</u>	<u>\$ (137,853)</u>	<u>\$ 559,450</u>

(13) Criminal Court Fund

Louisiana Revised Statutes, at LSA-R S 15 571 11 require that one-half of any surplus remaining in the Criminal Court Fund at year-end shall be transmitted to the Parish's General Fund The Parish Government did not transfer any of the surplus during the year ended December 31, 2012, however, \$195,149 was transferred to the General Fund subsequent to the year then ended

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(14) Commitments and Contingencies

Grant Programs

The Parish participates in a number of state and federal grant programs which are governed by various rules, regulations, and compliance requirements. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore to the extent that the Parish has not complied with the respective rules, regulations, and compliance requirements governing the grants, refunds of any funds received and the collectability of any related receivable as of December 31, 2012 may be impaired.

In August 2005, the Parish suffered significant damage from Hurricanes Katrina and Rita. The Parish recovered damages from Katrina and Rita from the Federal Emergency Management Agency (FEMA). The audits of these funds and claims recovered from FEMA are still subject to final audit and close out of the respective projects. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Parish. These amounts are uncertain as of the report date and therefore no amounts are recorded in the financial statements.

Construction Contracts

The Parish had several construction contracts in progress during the year ended December 31, 2012.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Total amount of contracts	\$ 356,116,795	\$ 178,108,988
Completed to date	<u>180,917,994</u>	<u>129,123,575</u>
Outstanding contracts	<u>\$ 175,198,801</u>	<u>\$ 48,985,413</u>

Water and Sewer

During 1996, the St. Bernard Parish Department of Public Works Water and Sewer Division received an administrative order from the United States Environmental Protection Agency (EPA). The order stated that the Division has violated its National Pollutant Discharge Permit and the Clean Water Act. The EPA has allowed the Division a reasonable period to take corrective action to eliminate and prevent recurrence of the noncompliant discharges cited in the findings or to submit a comprehensive plan to eliminate and prevent recurrence of violations cited in findings.

As of December 31, 2012, the Division has filed a response to the deficiencies cited in the order and has placed into operation all improvements necessary to obtain compliance. However, the EPA has not officially cleared the Division of the violations. The Division can be assessed up to \$27,500 per day in penalties for noncompliance with the order. There have been no assessments by the EPA or penalties accrued in these financial statements.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(14) Commitments and Contingencies (continued)

Water and Sewer (continued)

During 2003, the St Bernard Parish Department of Public Works Water and Sewer Division received several administrative orders from the United States Environmental Protection Agency (EPA) The orders stated that the Division has violated its National Pollutant Discharge Permit and the Clean Water Act The EPA has allowed the Division a reasonable period, for each administrative order, to take corrective action to eliminate and prevent recurrence of the noncompliant discharges cited in the findings or to submit a comprehensive plan to eliminate and prevent recurrence of violations cited in findings

The Parish has filed a response to the deficiencies cited in the orders to obtain compliance However, the EPA has not officially cleared the Division of the violations There have been no assessments by the EPA or penalties accrued in these financial statements

(15) Litigation

The Parish and Water and Sewer Division are named as defendants in a number of lawsuits arising principally from claims related to personal injury, negligence, wrongful demolition of property, and property damage As discussed in Note 12, the Parish and Water and Sewer Division are primarily self-insured with respect to claims of these types The Parish's insurance department and its attorneys have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the Parish and to arrive at an estimate, if possible, of the amount or range of potential loss to the Parish

As a result of such a review, loss contingencies, which could be reasonably estimated, have been categorized as "probable", "reasonably possible", and "remote", as defined in Governmental Accounting Standards Board Codification Section C50 - Claims and Judgments Loss contingencies for the Parish amounting to \$3,611,808 categorized as "probable" have been accrued in the Self-Insurance Internal Service Fund. Loss contingencies for the Water and Sewer Division for "probable" cases amounting to \$559,450 have been accrued in the Water and Sewer Internal Service Fund The Parish is subject to several other lawsuits arising in the normal course of business which are adequately covered by insurance where a range of loss cannot be reasonably determined These "reasonably possible" loss contingencies are not reflected in these financial statements

The Parish has had litigation with the U S Department of Justice regarding the Fair Housing Act The lawsuit was settled in May 2013 as described in Note 19 Additional lawsuits exist and are on appeal between the Parish and other organizations relating to compliance with Fair Housing regulations The Parish and the Parish's attorney believe any amounts awarded by the Court would be covered by the Parish's insurance

The Parish has been named as defendant in lawsuits alleging damage to properties adjoining levees following Hurricane Katrina in 2005 The Parish and the Parish's attorney believe any compensation ordered by the Court would ultimately be paid by the U S Army Corp of Engineers

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(16) Deficit Fund Balances

The following funds have deficit fund balances at December 31, 2012

<u>Fund Description</u>	<u>Fund Balance (deficit)</u>
CDBG Disaster Fund	\$ (1,936,976)
Disaster Recovery Fund	(25,208,000)
Consolidated Fire Protection District No 1-2	(428,844)
Public Works	(334,073)
Garbage District No 1	(1,131,612)
Deputy Witness Fee	(52,787)
Versailles Industrial Park Sinking Fund	(24,477)
Internal Service Fund - Self Insurance	(907,563)

At December, 31, 2012, the CDBG Disaster Fund and the Disaster Recovery Fund (FEMA) had deficit fund balances. The deficit fund balance in the CDBG Disaster Fund results primarily from expenditures incurred for which the related revenue is deferred at December 31, 2012. The deficit fund balance in the Disaster Recovery Fund results primarily from expenditures incurred which the related revenue has not been recognized or is deferred at December 31, 2012. The Parish is currently working on obtaining increased funding from CDBG and FEMA. The deficit in the Garbage District No 1 fund was primarily the result of a decrease in sales tax revenues and an increase in sanitation expenditures during the year. The Parish plans to improve the monitoring of sales tax revenues and sanitation expenditures within the Garbage District No 1 fund. The deficit fund balances described above will be funded through the general fund or through future revenues of the Parish.

(17) Restatement

During 2012, the Parish identified several adjustments which impacted prior year financial statements. The impact on governmental fund balance was as follows:

Fund balance, as previously reported, December 31, 2011	\$ 47,686,634
Prior period adjustments	
General Fund - Overstatement of receivable	(290,814)
CDBG Fund - Understatement of deferred revenue	(2,032,789)
Disaster Recovery - Overstatement of receivable	(24,793,752)
Disaster Recovery - Understatement of deferred revenue	(10,568,629)
Disaster Recovery - Overstatement of accounts payable	6,722,855
Public Works - Overstatement of receivable	(599,233)
WIA Fund	15,362
Library Fund - removed as blended component unit	(11,286,650)
Hazard Mitigation Fund - Overstatement of receivable	(152,530)
Hurricane Reconstruction - Overstatement of payable	485,273
Versailles Sinking Fund	(9,154)
Total prior period adjustments	<u>(42,510,061)</u>
Fund balance (deficit), as restated, December 31, 2011	<u>\$ 5,176,573</u>

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(17) Restatement (continued)

The impact on proprietary fund net position was as follows

Net position, as previously reported, December 31, 2011	\$ 124,159,965
Prior period adjustments	
Water and Sewer fund - understatement of inventory	134,832
Water and Sewer fund - understatement of receivable	72,000
Total prior period adjustments	<u>206,832</u>
Net position, as restated, December 31, 2011	<u>\$ 124,366,797</u>

The impact on internal service fund net position was as follows

Net position, as previously reported, December 31, 2011	\$ 1,581,816
Prior period adjustments	
Understatement of claim liability	(862,060)
Overstatement of prepaid expenses	(303,746)
Total prior period adjustments	<u>(1,165,806)</u>
Net position, as restated, December 31, 2011	<u>\$ 416,010</u>

The impact on governmental activities net position was as follows

Net position, as previously reported, December 31, 2011	\$ 391,312,548
Prior period adjustments	
Prior period adjustments to fund balances as listed above	(42,510,061)
Overstatement of prepaid expenses	(303,746)
Overstatement of capital assets	(1,730,695)
Understatement of claim liability	(566,071)
Net position, as restated, December 31, 2011	<u>\$ 346,201,975</u>

(18) Note Receivable

At December 31, 2012, the Parish has an outstanding note receivable of \$600,000 plus accrued interest of \$108,000 due from the St Bernard Hospital Service District. The note was issued on January 13, 2009, has an interest rate of 6%, and matures on January 1, 2019.

(19) Subsequent Events

The Parish has evaluated subsequent events through August 14, 2013 the date the financial statements were available to be issued and noted the following items required disclosure:

In May 2013, the Parish agreed to a settlement with the United States Department of Justice for violations of the Fair Housing Act in prior years. The settlement provides for the establishment of an Office of Fair Housing, a Fair Housing marketing plan, establishment of a Rental Land Grant Program, and total financial compensation of \$275,000 to the aggrieved persons. The Parish also agreed to resolve additional claims against the Parish for \$1,650,000 in a separate agreement. The Parish expects the amounts owed to be funded by insurance coverage.

ST. BERNARD PARISH GOVERNMENT

Notes to Basic Financial Statements

December 31, 2012

(19) Subsequent Events (continued)

The Parish issued the following bonds on July 1, 2013

	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
1	Limited Tax Certificates of Indebtedness, Series 2013, of the Parish of St Bernard	\$ 4,526,000	1 03%	March 1, 2014
2	Limited Tax Certificates of Indebtedness, Series 2013, of the Parish of St Bernard	3,150,000	1 03%	March 1, 2014
3	Limited Tax Certificates of Indebtedness, Series 2013, of Fire Protection District No 1	1,289,000	1 03%	March 1, 2014
4	Limited Tax Certificates of Indebtedness, Series 2013, of Fire Protection District No 2	391,000	1 03%	March 1, 2014

REQUIRED SUPPLEMENTARY INFORMATION

ST BERNARD PARISH GOVERNMENTGeneral FundBudget Comparison Schedule (GAAP Basis)For the year ended December 31, 2012

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Ad valorem	\$ 950,750	\$ 1,051,100	\$ 1,057,906	\$ 6,806
Sales and Use	-	-	10,084,638	10,084,638
Other taxes, penalties, interest, etc	1,039,820	1,042,800	1,054,260	11,460
Licenses and permits	922,000	834,250	1,148,646	314,396
Intergovernmental				
Federal grants	1,714,230	2,241,365	1,900,756	(340,609)
State funds				
State revenue sharing (net)	-	-	2,465	2,465
Other	-	15,152,450	229,443	(14,923,007)
Fees, charges, and commissions for services	1,217,000	1,255,600	1,467,350	211,750
Use of money and property	-	-	1,061	1,061
Other	54,000	223,300	255,525	32,225
Total revenues	<u>5,897,800</u>	<u>21,800,865</u>	<u>17,202,050</u>	<u>(4,598,815)</u>
EXPENDITURES				
Other general government	11,654,430	26,008,062	13,930,728	12,077,334
Capital outlay	523,115	1,492,823	1,146,240	346,583
Total expenditures	<u>12,177,545</u>	<u>27,500,885</u>	<u>15,076,968</u>	<u>12,423,917</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,279,745)</u>	<u>(5,700,020)</u>	<u>2,125,082</u>	<u>7,825,102</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	5,734,735	5,142,481	2,322,862	(2,819,619)
Operating transfers out	-	-	(9,657,196)	(9,657,196)
Total other financing sources (uses)	<u>5,734,735</u>	<u>5,142,481</u>	<u>(7,334,334)</u>	<u>(12,476,815)</u>
NET CHANGE IN FUND BALANCE*	<u>\$ (545,010)</u>	<u>\$ (557,539)</u>	<u>(5,209,252)</u>	<u>\$ (4,651,713)</u>
FUND BALANCE:				
BEGINNING OF YEAR			<u>8,262,844</u>	
END OF YEAR			<u>\$ 3,053,592</u>	

* The net change in fund balance was included in the budget as an appropriation (i e, spenddown) of fund balance

See accompanying independent auditors' report.

ST BERNARD PARISH GOVERNMENT**CDBG Disaster Fund**
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2012

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Federal grants	<u>\$ 44,989,925</u>	<u>\$ 39,577,715</u>	<u>\$ 21,982,752</u>	<u>\$ (17,594,963)</u>
Total revenues	<u>44,989,925</u>	<u>39,577,715</u>	<u>21,982,752</u>	<u>(17,594,963)</u>
EXPENDITURES				
Other general government	9,505,000	5,150,000	20,186,212	(15,036,212)
Capital outlay	<u>35,495,000</u>	<u>2,903,000</u>	<u>1,647,989</u>	<u>1,255,011</u>
Total expenditures	<u>45,000,000</u>	<u>8,053,000</u>	<u>21,834,201</u>	<u>(13,781,201)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(10,075)</u>	<u>31,524,715</u>	<u>148,551</u>	<u>(31,376,164)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	14,860	2,437	(12,423)
Operating transfers out	<u>-</u>	<u>(31,524,715)</u>	<u>-</u>	<u>31,524,715</u>
Total other financing sources (uses)	<u>-</u>	<u>(31,509,855)</u>	<u>2,437</u>	<u>31,512,292</u>
NET CHANGE IN FUND BALANCE	<u>\$ (10,075)</u>	<u>\$ 14,860</u>	<u>150,988</u>	<u>\$ 136,128</u>
FUND BALANCE				
BEGINNING OF YEAR			<u>(2,087,964)</u>	
END OF YEAR			<u>\$ (1,936,976)</u>	

See accompanying independent auditors' report.

ST BERNARD PARISH GOVERNMENTDisaster Recovery Fund
Budget Comparison Schedule (GAAP Basis)For the year ended December 31, 2012

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Federal grants	\$ 127,595,685	\$ 127,595,685	\$ 44,208,933	\$ (83,386,752)
Total revenues	<u>127,595,685</u>	<u>127,595,685</u>	<u>44,208,933</u>	<u>(83,386,752)</u>
EXPENDITURES				
Other general government	27,288,100	27,288,100	11,447,343	15,840,757
Capital outlay	99,672,780	99,672,780	40,901,136	58,771,644
Total expenditures	<u>126,960,880</u>	<u>126,960,880</u>	<u>52,348,479</u>	<u>74,612,401</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>634,805</u>	<u>634,805</u>	<u>(8,139,546)</u>	<u>(8,774,351)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	1,554,800	1,679,772	124,972
Operating transfers out	(718,200)	(568,600)	-	568,600
Total other financing sources (uses)	<u>(718,200)</u>	<u>986,200</u>	<u>1,679,772</u>	<u>693,572</u>
NET CHANGE IN FUND BALANCE*	<u>\$ (83,395)</u>	<u>\$ 1,621,005</u>	<u>(6,459,774)</u>	<u>\$ (8,080,779)</u>
FUND BALANCE:				
BEGINNING OF YEAR			<u>(18,748,226)</u>	
END OF YEAR			<u>\$ (25,208,000)</u>	

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance

See accompanying independent auditors' report.

ST BERNARD PARISH GOVERNMENTSchedule of Funding Progress
Required Supplementary Information Under GASB Statement No. 45For the year ended December 31, 2012

<u>Fiscal Year Ended August 31</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Payroll</u>
2010	1/1/2010	-	13,342,236	13,342,236	0.0%	15,291,224	87.3%
2011	1/1/2011	-	13,875,925	13,875,925	0.0%	10,537,108	131.7%
2012	1/1/2012	-	25,280,827	25,280,827	0.0%	13,617,704	185.6%

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

ST. BERNARD PARISH GOVERNMENT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

December 31, 2012

Special Revenue Funds

Special revenue funds are used to account for revenues from specific taxes or other earmarked revenue sources, which by law are designated to finance particular functions or activities of government and which, therefore, cannot be diverted to other uses

Criminal Court Fund

This fund was established under Section 571 11 of Title 15 of the Louisiana Revised Statutes of 1950. Fines and forfeitures imposed by the District Court and District Attorney's conviction fees in criminal cases are transferred to the Parish treasurer and deposited into a special "Criminal Court Fund" account. These funds are used for expenses of the criminal court of the Parish Government. Expenditures are made from this fund on motion of the District Attorney and approval by the District Judges.

Consolidated Fire Protection District No. 1-2 Fund

This fund is used to account for the maintenance and operations of the fire protection facilities. Revenues are derived from ad valorem taxes, state revenue sharing, and 2% of the State of Louisiana distribution of fire insurance premium taxes.

Council on Aging Fund

This fund is used to account for the receipt and disbursement of a one-mill property tax levy for the maintenance and operation of the Senior Citizens Center.

Recreation Fund

This fund is used to account for the maintenance and operations of the recreation facilities within the Parish. Revenues are derived from ad valorem taxes and state revenue sharing.

Public Works Fund

This fund is used to account for the operations and maintenance of all parish infrastructure (roads, bridges, rights of way, neutral grounds, including ditches and drainage, and operation of the mosquito control program). Revenues of this fund are substantially derived from the Parish Transportation Fund, Parish Road Royalty Fund, and a Parish ad valorem tax.

Road Lighting District No. 1 Fund

This fund is used to account for the maintenance of the lighting facilities of the roads, alleys, and public places within the Parish. Revenues are derived from ad valorem taxes and state revenue sharing.

Workforce Investment Act Fund

This fund, formerly known as the Jobs Training Partnership Act Fund (JTPA), is used to account for the collection and payment of Jobs Training Partnership Act funds and Workforce Investment Act funds on behalf of other agencies, governing bodies, and/or other funds.

ST. BERNARD PARISH GOVERNMENT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

December 31, 2012

Special Revenue Funds (continued)

Health Fund

This fund is used to account for the activities that contribute to the health monitoring services provided by the state health unit within the Parish. The State bills the Parish Health Department for the building, operating, and maintenance expenses related to the facility. Revenues are derived from ad valorem taxes and state revenue sharing.

Communications Fund

This fund is used to account for the cost of the 911 Emergency Service number. Revenues are derived from a telephone tax.

Housing and Redevelopment Fund

This fund was established to record the income and expenditures on various federal and state grants.

Urban Mass Transportation Administration Fund

This fund is used to account for the operations of the public transit system. The system is partly funded by an operating grant received from the Federal Transit Authority.

Garbage District #1 Fund

This fund is used to account for the Parish's garbage collection and disposal system. These services are presently being contracted out to private firms. Revenues are derived from ad valorem taxes, state revenue sharing, and ½% dedicated sales tax for garbage collection.

Deputy Witness Fee Fund

This fund is used to account for the fees paid to deputies for court appearances. The fund is financed from court costs collected by the clerk of court and remitted to the Parish Government.

Hazard Mitigation Fund

This fund is used to account for the proceeds and expenses associated with Hazard Mitigation Grant Program funds.

ST. BERNARD PARISH GOVERNMENT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

December 31, 2012

Debt Service Funds

Debt service funds are used to account for the payment of interest and principal on all general obligation debt. They do not include debt issued by the Proprietary Funds.

Versailles Industrial Park Sinking Fund

This fund is used to accumulate monies for the payment of special assessment bonds. These bonds were used to finance public improvements deemed to benefit the properties against which the costs are assessed. The costs of the project are estimated and property owners are assessed their proportionate share. The property owner either pays the assessment within 60 days or over a 10-year period. Interest is charged on the unpaid assessments at the rate of 6.25%. Bond principal and interest are paid with the monies provided by payments on the assessments and related interest.

Bond Reserve 1996 Fund

This fund was established to comply with the bond resolutions of the Public Improvement Bonds Series 1996. This fund is used to account for a \$274,000 reserve as required by the 1996 issue.

2003 Sales Tax Refunding Fund

This fund is used to accumulate monies for the payment of bonds dated January 1, 2003, which were issued in part to refund the 1996 Series Public Improvement Bond issue. The bonds are secured from the proceeds of three separate special one-half of 1 percent sales and use taxes effective July 13, 1965, July 15, 1969, and December 7, 1976.

1990 and 1997 General Obligation Bond Fund

This fund is used to accumulate monies for the payment of bonds dated February 1, 1990 and December 1, 1997. The 1990 Bonds were used for the purpose of constructing a jail and detention facility and the acquisition of any necessary equipment and furnishing associated with the facility. The 1997 bonds were used to defease \$4,125,000 of the previously issued 1990 bonds. The bonds are secured by an ad valorem tax.

2012 Sales Tax Refunding Fund

This fund is used to accumulate monies for the payment of bonds dated July 17, 2012, which were issued in part to refund the 2003 Sales Tax Refunding Bonds and 2004 Sales Tax Bonds. The bonds are secured from the proceeds of three separate special one-half of 1 percent sales and use taxes effective July 13, 1965, July 15, 1969, and December 7, 1976.

ST. BERNARD PARISH GOVERNMENT
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

December 31, 2012

Capital Projects Funds

The capital projects funds account for all resources used for the acquisition and/or construction of capital facilities of the Parish, including those financed by special assessments. These funds do not include acquisitions and/or construction for Proprietary Funds.

Urban System Roadway Reconstruction Fund

This fund is used to account for the costs associated with roadway reconstruction in various areas of the Parish. The transfers from the general fund financed the reconstruction.

Hurricane Reconstruction Fund

This fund is used to account for monies received to reconstruct the Parish due to Hurricane Katrina.

Courthouse Capital Fund

This fund is used to account and pay for the cost associated with improvements and maintenance to the Courthouse. The source of funding for the improvements will be from transfers from the Criminal Court Fund.

2003 Sales Tax Bond Fund

This fund is used to account for costs of construction for concrete street repairs, a new animal shelter, and other various improvements.

1990 General Obligation Bond Fund

This fund is used to account for the construction of a jail and juvenile detention facility and the acquisition of any necessary equipment and furnishings associated with the facility.

Rebuild St. Bernard Fund

This fund is used to account for funds received to rebuild the Parish after Hurricane Katrina.

ST BERNARD PARISH GOVERNMENT
Non-major Governmental Funds - Balance Sheet
December 31, 2012

Schedule 5

	Special Revenue Funds										
	Criminal Court	Consolidated Fire Protection District No. 1 2	Council on Aging	Recreation Department	Public Works	Road Lighting District No. 1	Workforce Investment Act	Health	Communications	Housing and Redevelopment	Urban Mass Transportation Administration
ASSETS											
Cash and cash equivalents	\$ 419,382	\$	\$ 251,507	\$ 1,316,442	\$ 255,150	\$ 25,353	\$ 47,592	\$ 494,141	\$ 298,964	\$ 2,986,408	\$ 1,704,220
Investments											
Receivables (net of allowances for uncollectibles)											
Sales taxes											
Ad valorem taxes		2,054,513	268,841	617,760	869,439	344,440		177,322			
Intergovernmental				5,964	9,429	16,719	20,000			110,464	171,434
Other	14,333	140,120			276,739					(7,569)	
Due from other funds					294,080						
Prepays		17,179	2,214	42,077	28,683				2,730	415	2,501
Total assets	433,715	2,211,812	522,562	1,982,243	1,733,520	386,512	67,592	671,463	301,694	2,689,718	1,878,155
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	43,418	114,315	28,561	95,839	574,815	72,513	34,319	6,894	4,245	26,876	38,153
Retainage payable					92,555						2,656
Salaries and payroll deductions payable											
Payroll accruals		177,839	-	13,388	58,487					9,041	6,933
Payroll withholdings		13,242		37,944	134,379					31,554	18,028
Insurance		(10,260)		14,601	57,568					19,940	5,422
Other		231,201		385	1,182		1,349			583	344
Due to other funds	245,149	2,049,307	3,776	3,776	1,122,341	275,538	83,955			7,450	
Deferred revenues		61,012	8,025	18,666	26,266	9,986		5,366			
Other											
Total liabilities	288,567	2,640,656	36,586	184,599	2,067,593	358,037	119,623	12,260	4,245	95,444	71,536
FUND BALANCES											
Nonspendable amounts											
Prepaid items		17,179	2,214	42,077	28,683				2,730	415	2,501
Restricted for:											
Debt service											
Federal programs							(52,031)			2,593,859	1,804,118
Council on aging			483,762								
Road lighting						28,475					
Health								659,203			
Communications									294,719		
Capital outlay											
Committed to											
Capital outlay											
Assigned to											
Court operations	145,148										
Recreation				1,755,567							
Recovery											
Unassigned		(446,023)			(362,756)						
Total fund balances	145,148	(428,844)	485,976	1,797,644	(334,073)	28,475	(52,031)	659,203	297,449	2,594,274	1,806,619
Total liabilities and fund balances	\$ 433,715	\$ 2,211,812	\$ 522,562	\$ 1,982,243	\$ 1,733,520	\$ 386,512	\$ 67,592	\$ 671,463	\$ 301,694	\$ 2,689,718	\$ 1,878,155

See accompanying independent auditors' report.

ST BERNARD PARISH GOVERNMENT
Non-major Governmental Funds - Balance Sheet
December 31, 2012

Schedule 5
(continued)

	Special Revenue Funds (continued)				Debt Service Funds					
	Garbage District No 1	Deputy Witness Fee	Hazard Mitigation	Total	Versailles Industrial Park Sinking	Bond Reserve 1996	2003 Sales Tax Refunding	1990 and 1997 GO Bonds	2012 Sales Tax Refunding	Total
ASSETS										
Cash and cash equivalents	\$	\$ 5,125	\$ 1,521,515	\$ 8,925,799	\$ 421	\$ 929	\$ 283,733	\$ 392,111	\$ 472,288	\$ 1,149,482
Investments										
Receivables (net of allowances for uncollectibles)										
Sales taxes	576,363			576,363						
Ad valorem taxes	869,439			5,201,754						
Intergovernmental			151,490	483,500						
Other	4	4,510		428,137						
Due from other funds				294,080						
Prepays	891			96,690						
Total assets	1,446,697	9,635	1,673,005	16,008,323	421	929	283,733	392,111	472,288	1,149,482
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	868,766	7,650	7,479	1,923,843						
Retainage payable			50,840	146,051						
Salaries and payroll deductions payable										
Payroll accruals	3,161			268,849						
Payroll withholdings	(2,865)			232,282						
Insurance	4,512			91,783						
Other				239,044						
Due to other funds	1,678,469	54,772		5,520,757	24,898					24,898
Deferred revenues	26,266		1,614,686	1,770,273						
Other										
Total liabilities	2,578,309	62,422	1,673,005	10,192,882	24,898					24,898
FUND BALANCES										
Nonspendable amounts										
Prepaid items	891			96,690						
Restricted for										
Debt service					(24,477)	929	283,733	392,111	472,288	1,124,584
Federal programs				4,345,946						
Council on aging				483,762						
Road lighting				28,475						
Health				659,203						
Communications				294,719						
Capital outlay										
Committed to										
Capital outlay										
Assigned to										
Court operations				145,148						
Recreation				1,755,567						
Recovery										
Unassigned	(1,132,503)	(52,787)		(1,994,069)						
Total fund balances	(1,131,612)	(52,787)		5,815,441	(24,477)	929	283,733	392,111	472,288	1,124,584
Total liabilities and fund balances	\$ 1,446,697	\$ 9,635	\$ 1,673,005	\$ 16,008,323	\$ 421	\$ 929	\$ 283,733	\$ 392,111	\$ 472,288	\$ 1,149,482

See accompanying independent auditors' report.

ST BERNARD PARISH GOVERNMENT
Non-major Governmental Funds - Balance Sheet
December 31, 2012

Schedule 5
(continued)

	Capital Projects Funds						Total Non-Major Governmental Funds
	Urban System Roadway	Hurricane Reconstruction	Courthouse Capital	2003 Sales Tax Bonds	1990 General Obligation Bond	Rebuild St. Bernard	
ASSETS							
Cash and cash equivalents	\$ 905,933	\$ 3,191,764	\$ 528,537	\$ 393,215	\$ 229	\$ 35,288	\$ 5,054,966
Investments							
Receivables (net of allowances for uncollectibles)							
Sales taxes							576,363
Ad valorem taxes							5,201,754
Intergovernmental							485,500
Other							428,137
Due from other funds		3,909,730	753,846				4,957,656
Prepays							96,690
Total assets	905,933	7,101,494	1,282,383	393,215	229	35,288	9,718,542
							26,876,347
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable		41,359		1,320			42,679
Retainage payable	13,635	17,813					31,448
Salaries and payroll deductions payable:							
Payroll accruals							268,849
Payroll withholdings							232,282
Insurance							91,783
Other							239,044
Due to other funds		1,193,866					1,193,866
Deferred revenues							1,770,273
Other							
Total liabilities	13,635	1,253,038		1,320			1,267,993
							11,485,773
FUND BALANCES							
Nonspendable amounts							
Prepaid items							96,690
Restricted for:							
Debt service							1,124,584
Federal programs							4,345,946
Council on aging							483,762
Road lighting							28,475
Health							659,103
Communications							294,719
Capital outlay				391,895			391,895
Committed to:							
Capital outlay	892,298		1,282,383			35,288	2,209,969
Assigned to:							
Court operations							145,148
Recreation							1,755,567
Recovery		5,848,456					5,848,456
Unassigned					229		(1,993,840)
Total fund balances	892,298	5,848,456	1,282,383	391,895	229	35,288	8,450,549
							15,390,574
Total liabilities and fund balances	\$ 905,933	\$ 7,101,494	\$ 1,282,383	\$ 393,215	\$ 229	\$ 35,288	\$ 9,718,542
							\$ 26,876,347

See accompanying independent auditors report.

ST. BERNARD PARISH GOVERNMENT
Non-major Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2012

Schedule 6
(continued)

	Special Revenue Funds												
	Criminal Court	Consolidated Fire Protection District No. 1 & 2	Council on Aging	Recreation Department	Public Works	Road Lighting District No. 1	Workforce Investment Act	Health	Commissariats	Housing and Redevelopment	Urban Mass Transportation Administration	Garbage District No. 1	Deputy Witness Fee
REVENUES													
Taxes													
Ad valorem	\$	\$ 2,591,432	\$ 324,211	\$ 745,367	\$ 1,048,896	\$ 416,494	\$	\$ 213,890	\$	\$	\$	\$ 1,048,896	\$
Sales and Use												3,361,566	
Other taxes, penalties, interest, etc.		2,526	435	742	1,044	418		212	370,042			1,070	
Licenses and permits		11,900			70								
Intergovernmental													
Federal grants		190,958			455		2,699,669			5,669,713	528,774		
State funds													
Parish transportation funds													
State revenue sharing (net)		2,558		1,944	2,735	1,090		557				2,735	
Other		120,481		1,096,850	1,502,980						84,495		
Fees, charges, and commissions for services		980,080		106,578	88,135						23,705		60,438
Fines and forfeitures	237,132												
Use of money and property													
Public grants													
Other	9,189	17,918		1,439	77,723					39,039	1,839		
Total revenues	246,321	3,217,853	324,646	1,952,920	2,722,040	418,002	2,699,669	214,639	370,042	5,708,772	638,813	4,414,247	60,438
EXPENDITURES													
General government													
Judicial													90,600
Other general government	51,196	8,123,930					2,702,225		300,319		587,045		
Public safety					4,568,664	659,374						5,400,515	
Public works				1,746,805									
Culture and recreation													
Health and welfare			382,113					92,765		5,795,081			
Debt service													
Principal													
Interest and fiscal charges													
Payment to refunded escrow agent													
Direct issuance costs													
Capital outlay		13,715		11,058	134,211				2,432	59,261	84,060		
Total expenditures	51,196	8,137,645	382,113	1,758,763	4,802,875	659,374	2,702,225	92,765	302,751	5,854,342	671,105	5,400,515	90,600
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	195,125	(4,219,792)	(57,467)	194,157	(2,080,835)	(241,372)	(2,556)	121,894	67,291	(145,570)	(32,292)	(986,268)	(10,162)
OTHER FINANCING SOURCES (USES)													
Operating transfers in		3,198,271		377,971	2,050,991	253,051							27,000
Operating transfers out	(272,149)							(673,473)					
Proceeds from bond issuance													
Insurance proceeds													
Bond premium													
Payment to escrow agent													
Proceeds from sale of land													
Total other financing sources (uses)	(272,149)	3,198,271		377,971	2,050,991	253,051		(673,473)					27,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(77,024)	(1,021,521)	(57,467)	572,128	(29,844)	11,679	(2,556)	(551,579)	67,291	(145,570)	(32,292)	(986,268)	(1,162)
FUND BALANCES BEGINNING OF YEAR	222,172	592,677	543,443	1,225,516	295,004	16,796	(64,837)	1,210,782	230,158	2,739,844	1,838,911	(145,344)	(49,625)
PRIOR PERIOD ADJUSTMENTS					(599,233)		15,362						
FUND BALANCES BEGINNING OF YEAR, AS RESTATED	222,172	592,677	543,443	1,225,516	(304,229)	16,796	(49,475)	1,210,782	230,158	2,739,844	1,838,911	(145,344)	(49,625)
FUND BALANCES - END OF YEAR	\$ 145,148	\$ (428,844)	\$ 485,976	\$ 1,797,644	\$ (334,073)	\$ 28,475	\$ (52,031)	\$ 659,203	\$ 297,449	\$ 2,594,274	\$ 1,806,619	\$ (1,131,613)	\$ (52,787)

ST. BERNARD PARISH GOVERNMENT

**Non-major Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2012**

Schedule 6
(continued)

	Debt Service Funds							Capital Projects Funds					
	Library	Hazard Mitigation	Total	Verailles Industrial Park Sinking	Bond Reserve 1996	2003 Sales Tax Refunding	1990 and 1997 GO Bonds	2012 Sales Tax Refunding	Total	Urban System Roadway	Hurricane Reconstruction	Courthouse Capital	2011 Sales Tax Bonds
REVENUES													
Taxes													
Ad valorem	\$	\$	\$ 6,389,186	\$	\$	\$	\$ 34,282	\$	\$ 34,282	\$	\$	\$	\$
Sales and Use			3,361,546										
Other taxes, penalties, interest, etc.			376,489				2		2				
Licenses and permits			11,970										
Intergovernmental													
Federal grants		3,810,827	12,900,396										
State funds													
Parish transportation funds													
State revenue sharing (net)			11,619										
Other			2,804,806										
Fees, charges, and commissions for services			1,258,936										
Fines and forfeitures			237,132										
Use of money and property									49				
Public grants													
Other			147,169								7,780		
Total revenues		3,810,827	27,499,249				34,284		34,284	49	7,780		
EXPENDITURES													
General government													
Judicial			90,600										
Other general government		(2,309)	3,338,137							4,297			
Public safety			8,424,249										
Public works			10,728,533										
Culture and recreation			1,746,805										
Health and welfare			6,269,959										
Debt service													
Principal						270,000			270,000				
Interest and fiscal charges						88,851		9	88,860				
Payment to refunded escrow agent						69,355			69,355				
Bond issuance costs								348,120	348,120				
Capital outlay		3,179,385	3,685,022										95,163
Total expenditures		3,377,076	34,283,345			428,206		348,129	776,335	4,297			95,163
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		433,751	(6,784,096)			(428,206)	34,284	(348,129)	(742,051)	(4,248)	7,780		(95,163)
OTHER FINANCING SOURCES (USES)													
Operating transfers in			5,907,284			3,646,750		472,297	4,119,047			100,000	
Operating transfers out			(945,622)			(2,633)		(33,969,921)	(35,972,554)		(53,106)	(755,460)	(197,733)
Proceeds from bond issuance								33,885,000	33,885,000				
Insurance proceeds													
Bond premium								2,433,041	2,433,041				
Payment to escrow agent						(3,261,468)			(3,261,468)				
Proceeds from sale of land													
Total other financing sources (uses)			4,961,662			382,649		820,417	1,203,066		(53,106)	(655,460)	(197,733)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		433,751	(1,822,434)			(45,557)	34,284	472,288	461,015	(4,248)	(45,326)	(655,460)	(292,896)
FUND BALANCES - BEGINNING OF YEAR	11,286,650	(281,271)	19,660,926	(13,323)	929	329,290	357,827		672,723	896,546	5,408,509	1,937,843	684,791
PRIOR PERIOD ADJUSTMENTS	(11,286,650)	(152,330)	(12,023,051)	(9,154)					(9,154)		485,273		
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED		(433,751)	7,637,875	(24,477)	929	329,290	357,827		663,569	896,546	5,893,782	1,937,843	684,791
FUND BALANCES - END OF YEAR	\$	\$	\$ 3,815,441	\$ (24,477)	\$ 929	\$ 283,733	\$ 392,111	\$ 472,288	\$ 1,124,584	\$ 892,298	\$ 5,848,456	\$ 1,282,383	\$ 391,895

ST. BERNARD PARISH GOVERNMENT
Non-major Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2012

Schedule 6
(continued)

	1990		Total	Total Non-Major Governmental Funds
	General Obligation Bond	Rebuild St. Bernard		
REVENUES				
Taxes				
Ad valorem	\$	\$	\$	\$ 6,423,468
Sales and Use				1,361,546
Other taxes, penalties, interest, etc.				376,491
Licenses and permits				11,970
Intergovernmental				
Federal grants				12,900,396
State funds				
Parish transportation funds				
State revenue sharing (net)				11,619
Other				2,804,806
Fees, charges, and commissions for services				1,258,936
Fines and forfeitures				237,132
Use of money and property		4	53	53
Public grants				
Other			7,780	154,949
Total revenues		4	7,833	27,541,366
EXPENDITURES				
General government				
Judicial				90,600
Other general government			4,297	3,342,454
Public safety				8,424,249
Public works				10,728,553
Culture and recreation				1,746,805
Health and welfare				6,269,959
Debt services				
Principal				270,000
Interest and fiscal charges				88,860
Payment to refunded escrow agent				69,555
Bond issuance costs				348,120
Capital outlay			95,163	3,780,185
Total expenditures			99,460	35,159,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		4	(91,627)	(7,617,774)
OTHER FINANCING SOURCES (USES)				
Operating transfers in			100,000	10,126,311
Operating transfers out			(3,006,299)	(37,924,475)
Proceeds from bond issuance				33,885,000
Insurance proceeds				
Bond premium				2,433,041
Payment to escrow agent				(3,261,468)
Proceeds from sale of land				
Total other financing sources (uses)			(906,299)	5,258,429
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		4	(997,926)	(2,359,345)
FUND BALANCES - BEGINNING OF YEAR	229	35,284	8,963,202	29,296,851
PRIOR PERIOD ADJUSTMENTS			485,273	(11,546,932)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	229	35,284	9,448,475	17,749,919
FUND BALANCES - END OF YEAR	\$ 229	\$ 35,288	\$ 8,450,549	\$ 15,390,574

ST. BERNARD PARISH GOVERNMENT
NONMAJOR ENTERPRISE FUND DESCRIPTIONS

December 31, 2012

Water District No. 1

This fund is used to account for the ad valorem taxes and state revenue sharing monies received for the maintenance, operations, and debt service of its district. The portion of monies relating to maintenance and operations are transferred to the Division, which pays the operating expenses of Water District No. 1.

Water District No. 2

This fund is used to account for the ad valorem taxes and state revenue sharing monies received for the maintenance, operations, and debt service of its district. The portion of monies relating to maintenance and operations are transferred to the Division, which pays the operating expenses of Water District No. 2.

Sewer District No. 1

This fund is used to account for the ad valorem taxes and state revenue sharing monies received for the maintenance, operations, and debt service of its district. The portion of monies relating to maintenance and operations are transferred to the Division, which pays the operating expenses of Sewer District No. 1.

Sewer District No. 2

This fund is used to account for the ad valorem taxes and state revenue sharing monies received for the maintenance, operations, and debt service of its district. The portion of monies relating to maintenance and operations are transferred to the Division, which pays the operating expenses of Sewer District No. 2.

ST. BERNARD PARISH GOVERNMENT**Non-major Proprietary Funds
Combining Statement of Net Position**

December 31, 2012

	Water District No 1	Water District No 2	Sewerage District No 1	Sewerage District No 2	Total
ASSETS					
Restricted assets					
Cash and cash equivalents					
Other debt service accounts	\$ 96,977	\$ 133,528	\$ 11,164	\$ 111,496	\$ 353,165
Total current assets	96,977	133,528	11,164	111,496	353,165
PROPERTY, PLANT, AND EQUIPMENT					
Property, plant, and equipment, at cost	-	-	-	-	-
Less Accumulated depreciation	-	-	-	-	-
Property, plant, and equipment, net	-	-	-	-	-
Total assets	\$ 96,977	\$ 133,528	\$ 11,164	\$ 111,496	\$ 353,165
LIABILITIES AND NET POSITION					
LIABILITIES					
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION					
Restricted for					
Debt service	96,977	133,528	11,164	111,496	353,165
Total net position	\$ 96,977	\$ 133,528	\$ 11,164	\$ 111,496	\$ 353,165

See accompanying independent auditors report

ST. BERNARD PARISH GOVERNMENT**Non-major Proprietary Funds**
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position*For the year ended December 31, 2012*

	Water District No 1	Water District No 2	Sewerage District No 1	Sewerage District No 2	Total
OPERATING REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenues	-	-	-	-	-
Total operating revenues	-	-	-	-	-
OPERATING EXPENSES					
Personal services and related benefits	-	-	-	-	-
Utilities	-	-	-	-	-
Contractual services, supplies, and materials	-	-	-	-	-
Professional services	-	-	-	-	-
Insurance premiums	-	-	-	-	-
Insurance and claims expense	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-
Other expenses	-	-	-	-	-
Total operating expenses	-	-	-	-	-
Operating income (loss)	-	-	-	-	-
NON-OPERATING REVENUES (EXPENSES)					
Sales tax	-	-	-	-	-
Interest earnings	-	-	-	-	-
Restricted assets	-	-	-	-	-
Current assets	-	-	-	-	-
Interest expense and bank fees	-	-	-	-	-
Federal grants	-	-	-	-	-
Other nonoperating revenues	-	-	-	-	-
Deductions from taxes	-	-	-	-	-
Total non-operating revenues (expenses)	-	-	-	-	-
CHANGES IN NET POSITION BEFORE TRANSFERS	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
CHANGES IN NET POSITION	-	-	-	-	-
NET POSITION					
BEGINNING OF YEAR	96,977	133,528	11,164	111,496	353,165
END OF YEAR	\$ 96,977	\$ 133,528	\$ 11,164	\$ 111,496	\$ 353,165

See accompanying independent auditors report

ST. BERNARD PARISH GOVERNMENT

Non-major Proprietary Funds
 Combining Statement of Cash Flows

For the year ended December 31, 2012

	Water District No 1	Water District No 2	Sewerage District No 1	Sewerage District No 2	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ -	\$ -	\$ -	\$ -	\$ -
Cash paid to suppliers of goods or services	-	-	-	-	-
Cash paid to employees	-	-	-	-	-
Net cash provided by operating activities	-	-	-	-	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Net payments to other funds	-	-	-	-	-
Net cash provided by non-capital financing activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	-	-	-	-	-
Purchase of capital assets	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	-	-	-
Interest received	-	-	-	-	-
Net cash provided by capital and related financing activities	-	-	-	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS					
BEGINNING OF YEAR	96,977	133,528	11,164	111,496	353,165
END OF YEAR	\$ 96,977	\$ 133,528	\$ 11,164	\$ 111,496	\$ 353,165
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES					
Operating loss	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile operating loss to net cash used in operating activities					
Depreciation	-	-	-	-	-
Decrease in accounts receivable	-	-	-	-	-
Decrease in accounts payable and accrued expenses	-	-	-	-	-
Decrease in customer deposits	-	-	-	-	-
Net cash provided by operating activities	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors report

ST. BERNARD PARISH GOVERNMENT
INTERNAL SERVICE FUND DESCRIPTIONS

December 31, 2012

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis

Self-Insurance Fund

The Self-Insurance Fund accounts for monies accumulated to provide automobile, property damage, and worker's compensation for which the Parish is self-insured

Water & Sewer Self-Insurance Fund

The Water & Sewer Self-Insurance Fund accounts for monies accumulated to provide automobile, property damage, and worker's compensation for which the Division is self-insured

ST BERNARD PARISH GOVERNMENTInternal Service Funds
Combining Statement of Net PositionDecember 31, 2012

	<u>Self Insurance</u>	<u>Water and Sewer Self Insurance</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,872,544	\$ 614,130	\$ 2,486,674
Investments	862,669	-	862,669
Due from other funds	286,909	605,772	892,681
Prepays	9,011	-	9,011
Interest receivable	1,405	-	1,405
	<u>3,032,538</u>	<u>1,219,902</u>	<u>4,252,440</u>
Total current assets			
PROPERTY, PLANT, AND EQUIPMENT			
Property, plant, and equipment, at cost	-	-	-
Less Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
Property, plant, and equipment, net	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,032,538</u>	<u>\$ 1,219,902</u>	<u>\$ 4,252,440</u>
Total assets			
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities			
Accounts and other payables	\$ 39,084	\$ 3,464	\$ 42,548
Self insurance claims payable	3,611,808	559,450	4,171,258
Salaries payable	289,209	-	289,209
Retainage payable	-	-	-
Due to other funds	<u>-</u>	<u>261,292</u>	<u>261,292</u>
	<u>3,940,101</u>	<u>824,206</u>	<u>4,764,307</u>
Total current liabilities			
	<u>3,940,101</u>	<u>824,206</u>	<u>4,764,307</u>
Total liabilities			
	<u>\$ (907,563)</u>	<u>\$ 395,696</u>	<u>\$ (511,867)</u>
Restricted for Self insurance			
	<u>\$ (907,563)</u>	<u>\$ 395,696</u>	<u>\$ (511,867)</u>
Total net position			

See accompanying independent auditors report

ST BERNARD PARISH GOVERNMENT

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the year ended December 31, 2012

	Self Insurance	Water and Sewer Self Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 982,367	\$ 198,200	\$ 1,180,567
Other operating revenues	-	-	-
Total operating revenues	<u>982,367</u>	<u>198,200</u>	<u>1,180,567</u>
OPERATING EXPENSES			
Personal services and related benefits	171,930	-	171,930
Utilities	-	-	-
Contractual services, supplies, and materials	-	-	-
Professional services	114,096	8,635	122,731
Insurance premiums	1,510,489	300,440	1,810,929
Insurance and claims expense	-	-	-
Depreciation and amortization	-	-	-
Other expenses	6,414	-	6,414
Total operating expenses	<u>1,802,929</u>	<u>309,075</u>	<u>2,112,004</u>
Operating income (loss)	<u>(820,562)</u>	<u>(110,875)</u>	<u>(931,437)</u>
NON-OPERATING REVENUES (EXPENSES)			
Sales tax	-	-	-
Interest earnings			
Restricted assets	-	-	-
Current assets	-	-	-
Interest expense and bank fees	3,560	-	3,560
Federal grants	-	-	-
Other nonoperating revenues	-	-	-
Deductions from taxes	-	-	-
Total non-operating revenues (expenses)	<u>3,560</u>	<u>-</u>	<u>3,560</u>
CHANGES IN NET POSITION			
BEFORE TRANSFERS	(817,002)	(110,875)	(927,877)
Transfers in	-	-	-
Transfers out	-	-	-
CHANGES IN NET POSITION	(817,002)	(110,875)	(927,877)
NET POSITION			
BEGINNING OF YEAR	779,255	802,560	1,581,815
PRIOR PERIOD ADJUSTMENTS	(869,816)	(295,989)	(1,165,805)
ADJUSTED BEGINNING OF YEAR	(90,561)	506,571	416,010
END OF YEAR	<u>\$ (907,563)</u>	<u>\$ 395,696</u>	<u>\$ (511,867)</u>

See accompanying independent auditors report

ST BERNARD PARISH GOVERNMENTInternal Service Funds
Combining Statement of Cash Flows

For the year ended December 31, 2012

	Self Insurance	Water and Sewer Self Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 982,367	\$ 198,200	\$ 1,180,567
Cash paid to suppliers of goods or services	(933,134)	(160,274)	(1,093,408)
Cash paid to employees	-	-	-
Net cash provided by operating activities	49,233	37,926	87,159
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Net payments from other funds	-	366,967	366,967
Net cash provided by non-capital financing activities	-	366,967	366,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	-	-	-
Purchase of capital assets	-	-	-
Net cash used in capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(3,559)	-	(3,559)
Interest received	3,560	-	3,560
Net cash provided by capital and related financing activities	1	-	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,234	404,893	454,127
CASH AND CASH EQUIVALENTS			
BEGINNING OF YEAR	1,823,310	209,237	2,032,547
END OF YEAR	<u>\$ 1,872,544</u>	<u>\$ 614,130</u>	<u>\$ 2,486,674</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (820,562)	\$ (110,875)	\$ (931,437)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	-	-	-
Decrease in prepaid expenses	33,406	-	33,406
Increase (decrease) in accounts payable and accrued expenses	547,180	148,801	695,981
Increase in salaries payable	289,209	-	289,209
Net cash provided by operating activities	<u>\$ 49,233</u>	<u>\$ 37,926</u>	<u>\$ 87,159</u>

See accompanying independent auditors report

ST. BERNARD PARISH GOVERNMENT**Schedule of Council Members' Compensation****For the year ended December 31, 2012**

<u>Council Member</u>	<u>Amount</u>
Guy McInnis, Chairman	\$ 8,400
George Cavignac, Councilman at Large (West)	7,200
Ray Lauga, Jr , District A	7,200
Nathan J Gorbaty, District B	7,200
Richard J Lewis, District C	7,200
Casey Hunnicutt, District D	7,200
Manuel "Monty" Montelongo, District E	7,200
	<u>\$ 51,600</u>

See accompanying independent auditors' report

ST. BERNARD PARISH GOVERNMENT

SINGLE AUDIT REPORT

DECEMBER 31, 2012



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ST. BERNARD PARISH GOVERNMENT

SINGLE AUDIT REPORT

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**INDEPENDENT AUDITOR'S 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 St. Bernard Council
Chalmette, 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, the business-type activities, each major fund, and the aggregate remaining fund information of St. Bernard Parish Government (the Parish), as of and for the year-ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Parish's basic financial statements and have issued our report thereon dated August 14, 2013

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parish'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 Parish's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parish's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2, 2012-5, 2012-6, 2012-9, and 2012-10 to be material weaknesses

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-3 and 2012-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parish's financial statements are free of 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-7, 2012-8, and 2012-11.

The Parish's Response to Findings

The Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Parish's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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. However, under Louisiana Revised Statute 24-513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Postlethwaite + Netterville

Metairie, Louisiana

August 14, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the St Bernard Council
Chalmette, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the St. Bernard Parish Government (the Parish)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Parish's major federal programs for the year-ended December 31, 2012. The Parish's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Parish's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Parish's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Parish's compliance.

Basis for Qualified Opinion on Section 8 Housing Choice Voucher Grant

As described in the accompanying schedule of findings and questioned costs, the Parish did not comply with requirements regarding Special Tests and Provisions that are applicable to its Section 8 Housing Choice Voucher Grant as described in finding 2012-12. Compliance with such requirements is necessary, in our opinion, for the Parish to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Voucher Grant

In our opinion, except for the noncompliance described in the Basis for Unqualified Opinion paragraph, the Parish, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Voucher Grant for the year ended December 31, 2012

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Parish, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year-ended December 31, 2012

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-13. Our opinion on each major federal program is not modified with respect to these matters.

The Parish's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Parish's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control Over Compliance

Management of the Parish is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Parish's internal control over compliance with type of the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Parish's internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a

deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-12 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-13 to be a significant deficiency.

The Parish's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Parish's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Parish, as of and for the year-ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Parish's basic financial statements. We issued our report thereon dated August 14, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Postlethwaite + Netterville

Metairie, Louisiana
August 14, 2013

ST BERNARD PARISH GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-Through or Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
U S. Department of Homeland Security			
<i>Pass - Through Louisiana Military Department Office of Homeland Security and Emergency Preparedness</i>			
Disaster Grants - Public Assistance - FEMA	97 036	FEMA-LA-DR1603	\$ 79,820,957
Disaster Grants - Public Assistance - FEMA	97 036	FEMA-LA-DR4080	141,394
Urban Areas Security Initiative	97 008	2010-SS-T0-0043	37,948
Emergency Management Performance	97 042	EMW-2011-EP-0058	40,316
Emergency Management Performance	97 042	EMW-2012-EP-00042-S01	1,104
State Homeland Security Program	97 073	2010-SS-T0-0043	18,953
Hazard Mitigation Grant	97 039	1603C-087-0007	<u>3,377,076</u>
Total U S Department of Homeland Security			<u>83,437,748</u>
U.S. Department of Labor			
<i>Pass - Through Louisiana Department of Labor</i>			
WIA Adult Program	17 258	703642	557,838
WIA Youth Activities	17 259	703642	493,258
WIA Dislocated Workers -	17 278	703642	279,026
WIA Dislocated Workers - Urban & Rural NEG	17 260	EM-18056-09-06-A-22	852,877
WIA ARRA 10%	17 258, 17 259, 17 278	703642	38,000
WIA Dislocated Workers - Oil Spill	17 277	EM-20647-10-60-A-22	412,674
WIA Dislocated Workers - Hurricane Isaac	17 277	EM-23701-12-60-A-22	<u>33,502</u>
Total U S Department of Labor			<u>2,667,175</u>
U.S. Department of Transportation			
<i>Direct</i>			
Federal Transit Formula Grant	20 507		<u>671,108</u>
Total U S Department of Transportation			<u>671,108</u>
U.S Department of Housing and Urban Development			
<i>Direct</i>			
Section 8 Housing Choice Vouchers	14 871		4,843,262
<i>Pass - Through Louisiana Office of Community Development</i>			
Community Development Block Grant/Entitlement Grants	14 218		<u>34,646,082</u>
Total U S Department of Housing and Urban Development			<u>39,489,344</u>
U. S Department of Health & Human Services			
<i>Direct</i>			
Low Income Home Energy Assistance	93 568		254,056
Community Services Block Grant	93 569	2010P0081	239,433
Total U S Department of Health & Human Services			<u>493,489</u>
U. S. Department of the Interior			
<i>Direct</i>			
Coastal Impact Assistance Program (CIAP)	15 668	F12AF01463	<u>46,328</u>
Total U S Department of the Interior			<u>46,328</u>
Total Expenditures of Federal Awards			<u>\$ 126,805,192</u>

ST. BERNARD PARISH GOVERNMENT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR-ENDED DECEMBER 31, 2012

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the St Bernard Parish Government. The Parish's reporting entity is defined in Note 1 to the financial statements for the year-ended December 31, 2012. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Parish's financial statements for the year-ended December 31, 2012.

(3) Relationship to Financial Statements

Federal awards are included in the Statement of Activities of the Parish as operating and capital grant contributions.

(4) Non-Cash Assistance

As described in Note 7 to the financial statements, the Parish has an outstanding Community Disaster Loan (CFDA No. 97 030) originating in June 2009, payable to the U S Department of Homeland Security totaling principal of \$5,000,000 and accrued interest of \$333,390 at December 31, 2012.

(5) Subrecipients

Of the federal expenditures presented in the schedule, the Parish provided CDBG funding of \$16,074,076 to the St Bernard Hospital Service District.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(A) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>unqualified</u>
Internal control over financial reporting	
• Material weakness(es) identified	<u>yes</u>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<u>yes</u>
Noncompliance material to the financial statements	<u>none reported</u>

Federal Awards

Internal control over major programs	
• Material weakness(es) identified	<u>yes</u>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<u>yes</u>
Type of auditor's report issued on compliance for major programs	<u>qualified</u>
Any audit findings which are required to be reported in accordance with section 510(a) of OMB Circular A-133	<u>yes</u>
Identification of major programs	
• Disaster Grants-Public Assistance-FEMA (CFDA No 97 036)	
• Community Development Block Grant-(CDBG) (CFDA No 14 218)	
• Section 8 Housing Choice Vouchers (CFDA No 14 871)	
• Hazard Mitigation Grant-HMGP (CFDA No 97 039)	
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$3,804,155</u>
Auditee qualified as a low-risk auditee	<u>no</u>

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

2012-1 Accounting and Financial Reporting

<u>Criteria</u>	The Parish should have systems of internal accounting control, which ensure the basic financial statements are presented in accordance with U S generally accepted accounting principles on a timely basis
<u>Condition</u>	The Parish does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis
<u>Context</u>	During our audit, we noted the Parish performed the reconciliations and analysis of its significant accounts significantly after year-end, and as a result, significant adjustments to the financial statements were made after year-end In addition, significant adjustments to prior period balances were recorded as part of the audit procedures
<u>Cause</u>	The Parish does not have an appropriate infrastructure and processes to prepare accurate and complete financial statements in a timely manner in accordance with U S generally accepted accounting principles
<u>Effect</u>	The Parish recorded material adjustments to its major accounts to ensure the financial statements were presented in accordance with U S generally accepted accounting principles
<u>Recommendation</u>	<p>The Parish should evaluate its accounting and financial reporting function Specifically, the Parish should consider the following</p> <ul style="list-style-type: none">• Ensure adequate resources (both number and skill set) are dedicated to the accounting and financial reporting function• Develop and implement policies, procedures, and related controls over the preparation of the financial statements, including those presented under full accrual• Assign responsible persons for preparing and reviewing the financial statements• Address the specific accounting matters discussed in the schedule of findings and questioned costs• Bring accounting up-to-date including timely reconciliations to enable the timely preparation of financial statements and appropriate review by the Parish Finance Department

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

2012-1 Accounting and Financial Reporting (continued)

Management Response

The Finance Department is reviewing and developing closeout procedures, internal control polices and monthly reconciliation policies in an attempt to improve the financial statements and eliminate the audit finding. Previous budget constraints have depleted the Finance Department's personnel. The Department is in the process of increasing the size of our staff and is actively recruiting accounting personnel to offset the large amount of turnover in the accounting staff. The enhancement of accounting policies and procedures will be based upon recommendations of the auditors.

2012-2 Grant Receivable Account Reconciliations

Criteria

The Parish should have systems of internal accounting control, which provide for preparation of the financial statements in accordance with U S generally accepted accounting principles. A receivable subsidiary ledger should be used to formally reconcile and support the grant and other receivable balances.

Condition

The Parish did not have adequate processes and controls in place to ensure grant receivable accounts were reconciled at year-end. The Parish does not maintain subsidiary ledgers or account reconciliations of grant receivable accounts throughout the year.

Context

The FEMA grant receivable reconciliation was prepared after year-end. Several other grant receivable accounts were not reconciled during the year and were adjusted as part of the audit procedures.

Cause

The Parish does not have an appropriate infrastructure and processes to prepare accurate and complete grant receivable account reconciliations in a timely manner.

Effect

The Parish recorded significant adjustments to properly reflect grant and other receivable balances after year-end.

Recommendation

The Parish should implement procedures and controls to ensure grant and other receivable balances are properly reported on a timely basis at year-end and that the general ledger accounts are reconciled on a timely basis throughout the year. The account reconciliations should be reviewed. The review should be documented, and adjustments as necessary should be recorded to the general ledger.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-2 Grant Receivable Account Reconciliations (continued)

Management Response

The Parish has assigned Grant Receivables and reconciliation responsibilities of the major Grant funding sources to outside third party Grant Coordinator Contractors. These Coordinators will further develop accounting procedures that assure proper accounting and reconciliation of grant funding and administration. The Finance Department has implemented further internal procedures and controls to assure timely and adequate recording and information flow of all grants. The policies will be based on the recommendations of the auditors.

2012-3 Capital Assets

Criteria

The Parish has a significant amount of capital assets, including construction-in-progress (CIP) and infrastructure. The Parish should have systems of internal accounting control, which provide for proper accounting and financial reporting for capital assets in accordance with GASB Statement No. 34.

Condition

The Parish did not have adequate policies, procedures, and internal controls in place to ensure all capital assets were fairly stated in its financial statements on a timely basis.

Context

We noted the following weaknesses in the internal control structure over the capital asset accounting function:

- The Parish does not perform a complete inventory of its non street assets, including buildings and other infrastructure that are included in their capital asset listing.
- The Parish reconciles CIP by funding source (FEMA PW's). A funding source may include multiple projects. Adjustments to current year additions were recorded for CIP projects that were completed as of December 31, 2012.
- The Parish identified assets that were destroyed in Hurricane Katrina that were not previously recorded as a disposal.

Cause

The Parish has not performed sufficient procedures to ensure all capital assets are reconciled and properly recorded in the financial statements.

Effect

Material adjustments were posted by the Parish to the capital asset balances.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-3 Capital Assets (continued)

Recommendation The Parish should continue improving policies and procedures, and related internal controls to ensure capital assets are fairly stated and properly reported in the financial statements. These controls should include maintaining accurate and complete capital asset listings and appropriate reviews of depreciable assets and CIP balances by project at least quarterly. The Parish should also strengthen its reconciliation of its capital asset listings and implement a formal review procedure of the capital asset roll forward and projects within the CIP account.

Management Response Although the Finance Department has a functioning Fixed Assets program that records all significant capital assets in accordance with GASB 34, many entries and reconciliations are recorded at year-end due to the element of department understaffing. One facet of strengthening the Finance Department includes the duties of a fixed asset manager being assigned to specific personnel. The Finance Department will follow the recommendations of the auditors and implement monthly reconciliations of capital assets, quarterly reviews of disposal reports and an annual physical inventory of Fixed Assets.

2012-4 Accounts Payable

Criteria The Parish should have systems of internal accounting control, which provide for preparation of the financial statements in accordance with U S generally accepted accounting principles.

Condition The Parish did not have adequate processes and controls in place to ensure expenditures were reported timely in the proper period.

Context While the Parish devoted significant resources to adjusting accounts payable, we noted unrecorded invoices during our testing.

Cause The Parish's procedures for recording accounts payable do not include sufficient review of subsequent disbursement to determine that all accounts payable have been properly recorded.

Effect The Parish recorded significant adjustments to properly reflect accounts payable after year-end.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-4 Accounts Payable (continued)

Recommendation The Parish should implement procedures and controls to ensure accounts payable is properly reported on a timely basis at year-end. Specifically, the Parish should evaluate how invoices are routed to the Finance Department for processing.

Management Response The Parish does have internal control procedures regarding Accounts Payable accounts including aged payable reports, monthly reconciliations and year-end search for unrecorded liabilities. Based on the audit comment, the Finance Department will review all policies and procedures in an attempt to assure all liabilities are properly recorded in a timely manner.

2012-5 Consolidated Cash Account

Criteria Generally accepted accounting principles require that interfund transactions be recorded as either interfund payables and receivables or interfund transfers.

Condition The Parish did not have adequate processes and controls in place to ensure cash balances or borrowings from other funds were properly reported on the financial statements.

Context. During the year the Parish allowed the consolidated cash general ledger balance in several funds to be reduced below zero. This essentially indicates funds are borrowing cash from other funds that had positive balances in the consolidated cash account.

Cause The Parish lacks internal controls over the consolidated cash account. No one is responsible for managing the daily balances by fund to identify when the expenditures in a particular fund cause that fund's consolidated cash balance to be overdrawn.

Effect Interfund transactions were not properly accounted for.

Recommendation Qualified Finance Department personnel should be assigned to monitor the consolidated cash balance by fund. Rather than allowing a fund to overdraw its allocation in the consolidated cash account, an interfund transaction such as an interfund payable/receivable or an interfund transfer should be recorded.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-5 Consolidated Cash Account (continued)

**Management's
Response**

The Parish has assigned accounting personnel to manage the consolidated cash system. The accountant will be responsible to assure that all interfund payables and receivables are recorded in the appropriate manner.

2012-6 Segregation of Duties over Disbursements

Criteria

The Parish should have systems of internal accounting control, which provide for appropriate segregation of duties over disbursements.

Condition

The Parish did not have adequate segregation of duties over disbursements during the year-ended December 31, 2012.

Context

During our audit procedures, we observed that one employee had access to add new vendors, input invoices and payables into the system, identify which checks were to be paid, and process, print, and sign checks using the signature stamp.

Cause

The Parish did not properly monitor segregation of duties over disbursements.

Effect

The Parish did not have adequate controls in place over disbursements.

Recommendation

The Parish should adopt appropriate controls over disbursements including segregation of duties. Management should re-assign a portion of the employee's duties and restrict access to the signature stamp to allow for adequate segregation of duties over disbursements. In addition, approval for payment and processing through the accounts payable system should be more clearly documented.

**Management
Response**

The segregation of duties in the Accounts Payable Department described in the audit comment was an isolated incident and did not result in any significant adverse events. The procedures and policies in the Department have been clarified and the situation has been corrected. The addition of new vendors is limited to the Purchasing Department, and a review of the checks to be paid and processed are reviewed by the Finance Director and the Chief Administrative Officer.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-7 Local Government Budget Act

<u>Criteria</u>	The Parish adopted its 2012 operating revenue and expenditure budget by passage of ordinance. Budgets were adopted for the general and each special revenue fund. The Local Government Budget Act, LSA-RS 39:1301 et seq, requires that a local government amend its budget when actual expenses are expected to be significantly in excess of budgeted amounts.
<u>Condition</u>	The Parish did not amend its adopted budget for the General Fund when its total actual expenditures exceeded the total budgeted expenditures by five percent or more.
<u>Context</u>	Due to significant adjustments recorded to the trial balance subsequent to year-end, the amended budgets approved by the Parish Council were not in compliance with the state requirement.
<u>Effect</u>	The Parish was not in compliance with the Local Government Budget Act.
<u>Cause</u>	The Parish was unable to obtain necessary information on expenditures in a sufficient timely manner to amend the Parish budget.
<u>Recommendation</u>	We recommend that the Finance Director or other qualified Finance Department personnel assess the effect of accruals in monitoring budget to actual comparisons on a regular basis to provide timely information to the Parish Council so that proper budget amendments can be made.
<u>Management's Response</u>	The Finance Department does have adequate and proper procedures in their financial system to adhere to the requirements of the LA Budget Act. The Local Budget is being monitored regularly by specific personnel and adjustments are administered as required. The General Fund budget was adjusted at year-end to meet compliance regulations. However, the vast amount of year-end adjustments created the condition described in the audit finding. The Parish is reviewing accounting procedures and policies to reduce the amount of adjusting entries and increase the accuracy of year-end balances and will present necessary budget amendments to the Parish Council in a timely manner to remain in compliance with the Local Government Budget Act.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-8 Misappropriation of Assets

<u>Criteria</u>	The Parish should have systems of internal accounting control, which ensure the safeguarding of the Parish's assets
<u>Condition</u>	The Parish does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis
<u>Context</u>	On or about January 31, 2012, certain assets (bleachers) that were constructed of metal material were sold as "scrap" metal and the proceeds were not remitted to the Parish. There was no authority by the Parish or Parish management to sell the bleachers. The bleachers had a cost of approximately \$100,000. On or about May 1, 2012, the rental proceeds of approximately \$1,100 from the recreational boat facility operated by the Parish were taken home by an employee for safe keeping. The employee's home was vandalized, and the rental proceeds were stolen.
<u>Cause</u>	The Parish does not have appropriate policies and procedures in place for the proper recording and monitoring of cash receipts that are not received at the main Parish offices.
<u>Effect</u>	The total loss on misappropriation of assets is approximately \$100,000 during the year-ended December 31, 2012.
<u>Recommendation.</u>	The Parish should ensure appropriate internal controls over cash currency amounts maintained for the Parish. The Parish should ensure cash receipts that are decentralized (not through the Parish building) are monitored and have appropriate internal controls.
<u>Management Response</u>	The Parish has reviewed all circumstances related to the theft of scrap metal and the misappropriation of certain cash receipts at its recreational facilities. Procedures and oversight have been adjusted to assure that incidents of this nature do not happen in the future. In further response to the audit finding, cash management procedures have been implemented at all recreational facilities to incorporate receipts, lock boxes, and bank drop off policies to assure all cash is maintained properly.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-9 WIA Special Revenue Fund Trial Balance and Activity

<u>Criteria</u>	The Parish should have systems of internal accounting control, which ensure the basic financial statements are presented in accordance with U S generally accepted accounting principles on a timely basis
<u>Condition</u>	The Parish does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis
<u>Context</u>	During our audit, we noted the trial balance for the Workforce Investment Act (WIA) special revenue fund was not maintained during the year by the Parish, and account reconciliations were not reviewed on a timely basis by the Parish. The activity for the WIA program is maintained in a general ledger that is outside the Parish's accounting software and not subject to the oversight of the Parish Finance Department.
<u>Cause</u>	The Parish does not have an appropriate policies and procedures in place for the proper recording and monitoring of WIA financial activity
<u>Effect</u>	Activity in the WIA bank account and fund occurred throughout the year, and was not recorded on the general ledger of the Parish or in the Parish's general ledger system until after year-end. The account reconciliations were not reviewed timely throughout the year
<u>Recommendation</u>	<p>The Parish should evaluate its accounting and financial reporting function over WIA activity and specifically the Parish should consider the following</p> <ul style="list-style-type: none">• Ensure adequate resources (both number and skill set) are dedicated to the accounting and financial reporting function• Develop and implement policies, procedures, and related controls over the preparation of the financial statements, including those presented under full accrual• Assign responsible persons for preparing and reviewing the financial statements.• Include WIA activity in the general ledger of the Parish• Bring accounting up-to-date including timely reconciliations to enable the timely preparation of financial statements and appropriate review by the Parish Finance Department

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-9 WIA Special Revenue Fund Trial Balance and Activity (continued)

Management

Response

The WIA financial statements are maintained on an independent entity's financial software system and were not incorporated into the Parish Financial System in a timely manner. Accounting personnel have been assigned to consolidate the WIA system into the Parish Financial Statements. The comment will be eliminated from future audits.

2012-10 Oversight and Management of Recovery-Driven Federal Expenditures

Criteria

A sound system of internal controls over the recovery effort would assign the responsibility for the oversight and management of the effort, with timelines and benchmarks used for assessment.

Condition

Beginning in late 2005 and continuing through 2012, the Parish has received significant federal financial assistance in the form of Federal Emergency Management Agency (FEMA) grants to fund the massive recovery effort to rebuild and repopulate St. Bernard Parish following Hurricane Katrina. The Parish has outsourced the oversight and management of the entire recovery process to a third party administrator that has acted with the authority of the Parish to approve recovery expenditures and file the required documents for reimbursement from the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). As the recovery process has wound down, GOHSEP engaged an outside firm to perform a pre-closeout assessment of the recovery funding process. This assessment has raised questions regarding the process to approve and account for recovery expenditures and the application process for reimbursement. Several projects had significant cost overruns beyond the federal obligated funding amounts. Numerous projects have not been closed out because of lingering questions surrounding the eligibility of costs submitted.

Context

Project Worksheets (PWs) have not been closed out in a timely manner.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

2012-10 Oversight and Management of Recovery-Driven Federal Expenditures (continued)

<u>Cause</u>	<p>The outside firm's pre-closeout assessment noted the following</p> <p>There has been a lack of staff conducting pre-closeout tasks necessary to expedite efficient closeout of the PWs in a timely manner. There have been limited personnel (restricted to the one contractor) with detailed understanding of the PW status and process.</p> <p>The Parish's document retention practices and use of SharePoint to maintain documentation is effective, but their PW/grants management database has under-performed. Some data integrity issues were noted within the system, largely driven by current design and configuration flaws. The necessary data is largely available, but not effectively configured for management's use or decision making.</p> <p>St. Bernard Parish personnel were not empowered to provide oversight or maintain accountability over the recovery effort. Disaster recovery accountability has largely been relinquished to the third party administrator.</p>
<u>Effect</u>	<p>The Parish may face a shortfall of funding and potential liability as it closes out the recovery process.</p>
<u>Recommendation</u>	<p>The Parish should follow the Pre-Closeout Readiness Steps and other recommendations of the outside firm documented in its pre-closeout assessment.</p>
<u>Management's Response</u>	<p>The oversight of FEMA related reimbursements and expenditures has been an enormous undertaking that has spanned across three administrations. The Parish has contracted with various third parties to project manage and administer the recovery efforts. Administration will continue to coordinate with the third parties to assure that all project worksheets are closed out properly, accurately, and timely.</p>

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(B) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* (continued)

2012-11 Timely Submission of Audit Report to Legislative Auditor

<u>Criteria</u>	Under Louisiana statute, the Parish is required to have an annual audit of its financial statements prepared in accordance with US generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the State of Louisiana by June 30 of each year
<u>Condition</u>	The Parish did not meet the June 30, 2013 deadline for reporting to the State of Louisiana. The Parish did request and received an extension of time until July 31, 2013 from the Legislative Auditor to file its financial statements
<u>Cause</u>	The Parish required additional time to complete account reconciliations and record the final adjustments to their accounting records due to changes in staffing in the Finance Department.
<u>Effect</u>	The inability of the Parish to complete the final reconciliations and closing entries until after June 30, 2013, resulted in the audit completion date being delayed
<u>Recommendation</u>	The Parish should implement a plan to ensure adequate staffing levels of accountants with the skills to support timely financial reporting to ensure future reports are issued by June 30 of each year
<u>Management's Response</u>	The 30 day audit extension was the result of a combination of substantial turnover in Finance Department personnel and the external auditors being in the first year of their audit engagement

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(C) Findings and Questioned Costs – Major Award Programs Audit

U.S. Department of Housing and Urban Development

14.871: Section 8 Housing Choice Vouchers

2012-12 Financial Management Review Performed by HUD

<u>Criteria</u>	HUD regulations require the following (1) Public Housing Agency (PHA) program receipts in excess of current needs must be promptly invested in accordance with good cash management, (2) PHA must maintain complete and accurate accounts and records, these records must be in the form required by HUD, and (3) PHA's are required to submit their year-end financial information to HUD through the Financial Assessment System (FASS)
<u>Condition</u>	The Quality Assurance Division (QAD) of the U S Department of Housing and Urban Development issued a Financial Management Review Report on the St Bernard Parish Housing Authority (SBPHA) dated May 21, 2012. The HUD report identified four findings summarized as follows (1) SBPHA's total cash and investments as of December 31, 2011 were insufficient to support its Net Restricted Assets (NRA) as calculated by QAD by \$2,081,474, (2) SBPHA underreported its NRA balance as of December 31, 2011 by \$1,203,676, (3) SBPHA did not maintain complete and accurate records of administrative expenses for 2011, and (4) SBPHA failed to submit audited financial reports to HUD using the FASS for the fiscal years ended 2007-2010.
<u>Cause</u>	(1) The Parish continued to receive funding for the Housing Assistance Program (HAP) during the period the SBPHA was closed in the amount of approximately \$1,708,179 However, neither the SBPHA nor the Parish were able to document where the Housing Choice Voucher (HCY) HAP funds received during that period of time were deposited HUD offset a portion of these funds in 2009, however the SBPHA received Disaster Housing Assistance Program (DHAP) to HCY funding for this same time period which the SBPHA used to fund both the DHAP to HCY and the regular voucher program (2) SBPHA failed to properly calculate their NRA balance However, due to the condition of the financial records and the lack of supporting documentation QAD was unable to identify the exact cause (3) SBPHA financial records were not maintained in accordance with HUD requirements (4) The Parish has had a government-wide audit conducted each year but has failed to submit the SBPHA component unit required audited Financial Data schedules to FASS

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(C) Findings and Questioned Costs – Major Award Programs Audit (continued)

U.S. Department of Housing and Urban Development

14.871: Section 8 Housing Choice Vouchers (continued)

2012-12 Financial Management Review Performed by HUD (continued)

Effect (1) As a result of improper tracking and use of HUD funds, the SBPHA is in violation of the appropriation law, and such illegal uses of transfers can result in sanctions and possible breach of the contract. The misrepresentation of funds failed to provide HUD with information that would allow early intervention to avoid potential shortfalls resulting in possible termination of participants, (2) By failing to maintain complete and accurate accounts and other records, HUD was not supplied with information useful in determining the NRA balance, (3) SBPHA failed to provide HUD with an accurate reflection of the true administrative expenses for 2011 in the administration of the program, (4) By failing to submit the fiscal year-end financial information to HUD through FASS, the SBPHA failed to provide HUD with information useful in determining annual funding, administrative expenses, NRA balance, and its actual financial position.

Recommendation We recommend the SBPHA follow all correction actions provided in the financial Management Review Report issued by the QAD of HUD.

Management's Response The Parish engaged an independent Certified Public Accounting firm to perform a forensic accounting of the time period from late 2005 through mid 2012 for the purpose of establishing the correct NRA. 100% of the deposits received from HUD were traced back to the appropriate bank account to facilitate reconciling back to the appropriate Net Restricted Asset balance at December 31, 2011. It was determined that the NRA balance was understated and the deficit amount was immediately transferred from the HAP Administrative Fee account to the HAP Rental Subsidy account. The HUD QAD office later confirmed the appropriateness of the transfer to the HAP Rental Subsidy account. The Finance Department will continue to review the finding and propose actions necessary to correct any deficiencies.

ST. BERNARD PARISH GOVERNMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR-ENDED DECEMBER 31, 2012

(C) Findings and Questioned Costs – Major Award Programs Audit (continued)

U.S. Department of Homeland Security

97.036: Disaster Grants – Public Assistance - FEMA

2012-13 Property Records Missing Required Grant Information

<u>Criteria</u>	Property records should contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and disposition data.
<u>Condition</u>	The Parish failed to identify source, percentage of federal participation in the cost, location, and condition of property and equipment purchased with federal funds on the property records report.
<u>Cause</u>	The Finance Department was unaware of this requirement
<u>Effect</u>	Assets purchased with federal funds are not tracked as such, therefore should the assets be disposed of, the proper disposal procedures for federally purchased assets would not be followed
<u>Recommendation</u>	The Finance Director or other qualified Finance Department personnel should retain all required information on the property records report for property and equipment purchased with federal funds
<u>Management's Response</u>	The Parish is in the process of devising a plan to identify both, assets purchased previous to 2012, and going forward beyond 2012, where there were federally assisted funding involved in the asset's acquisition. This process will be an integral part of the staff addition personnel responsible for fixed asset management

ST. BERNARD PARISH GOVERNMENT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR-ENDED DECEMBER 31, 2012

Financial Statement Findings

2011-01 Local Government Budget Act – Expenditures in Excess of Budgeted Amounts

Condition The Parish did not amend its adopted budget for the Community Development Block Grant Disaster Fund and the Disaster Recovery Fund when its total expenditures exceeded the total budgeted expenditures by five percent or more

Current Status Not resolved See item 2012-7

2011-02 Significant Liabilities Recorded in Wrong Period

Condition Audit testing identified \$6,108,110 of accounts payable that should have been recorded on the fund financial statements at December 31, 2011, but were incorrectly recorded subsequent to year-end

Current Status Not resolved See item 2012-4

2011-03 Internal Controls over Fixed Asset Data

Condition The Parish failed to maintain its fixed asset database on a timely basis. Significant 2011 asset additions were not accurately identified, qualified and added to the fixed asset system until June 2012. In addition, in late 2011 the electronic data files were corrupted. New personnel in the IT department were unable to locate and restore adequate backup files until well into 2012.

Current Status Not resolved See item 2012-3

2011-04 Consolidated Cash Account

Condition During the year, the Parish allowed the consolidated cash general ledger balance in several funds to be reduced below zero. At year-end the consolidated cash balances in the General Fund, the Consolidated Fire Protection Districts Fund, and the Human Resources Fund had negative balances, essentially borrowing the cash from other funds that had positive balances in the consolidated cash account.

Current Status Not resolved See item 2012-5.

ST. BERNARD PARISH GOVERNMENT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR-ENDED DECEMBER 31, 2012

Financial Statement Findings (continued)

2011-05 Library Fund General Ledger Maintained on a Cash Basis.

Condition During the testing, it was noted that the Library Fund general ledger is maintained on a cash basis of accounting

Current Status Resolved

2011-06 Lack of Internal Control over Cash Receipts

Condition During the audit testing of cash receipts, it was noted that the proper support for several transactions was not readily available and could not be retrieved in a timely manner

Current Status Resolved

2011-07 Credit Card Transactions

Condition: During the testing of credit card transactions, several transactions appeared to be of a personal nature, and they were not timely reimbursed by the Parish President

Current Status Resolved.

2011-08 Use of Subsidiary Ledger to Document Receivable Reconciliation

Condition No formal written reconciliation of the receivable posting report to the general ledger is maintained for several receivable accounts.

Current Status Not resolved See item 2012-2

ST. BERNARD PARISH GOVERNMENT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR-ENDED DECEMBER 31, 2012

Financial Statement Findings (continued)

2011-09 Oversight and Management of Recovery Driven Federal Expenditures

Condition Beginning in late 2005 and continuing through 2011, the Parish has received significant federal financial assistance in the form of Federal Emergency Management Agency (FEMA) grants to fund the massive recovery effort to rebuild and repopulate St Bernard Parish following Hurricane Katrina. The Parish has outsourced the oversight and management of the entire recovery process to a third party administrator that has acted with the authority of the Parish to approve recovery expenditures and file the required documents for reimbursement from the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). As the recovery process has wound down, GOHSEP engaged an outside firm to perform a pre-closeout assessment of the recovery funding process. This assessment has raised questions regarding the process to approve and account for recovery expenditures and the application process for reimbursement. Several projects had significant cost overruns beyond the federal obligated funding amounts. Numerous projects have not been closed out because of lingering questions surrounding the eligibility of costs submitted. No formal written reconciliation of the receivable posting report to the general ledger is maintained for several receivable accounts.

Current Status Not resolved See item 2012-10

2010-01 Local Government Budget Act

Recommendation The Parish did not amend its adopted budget for the certain funds when its total actual expenditures exceeded the total budgeted expenditures by five percent or more.

Current Status Not resolved See item 2012-7

ST. BERNARD PARISH GOVERNMENT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR-ENDED DECEMBER 31, 2012

Single Audit Findings

2011-10 Financial Management Review Performed by HUD (14.871: Section 8 Housing Choice Vouchers)

Condition The Quality Assurance Division (QAD) of the U S Department of Housing and Urban Development issued a Financial Management Review Report on the St Bernard Parish Housing Authority (SBPHA) dated May 21, 2012. The HUD report identified four findings summarized as follows (1) SBPHA's total cash and investments as of December 31, 2011 were insufficient to support its Net Restricted Assets (NRA) as calculated by QAD by \$2,081,474, (2) SBPHA underreported its NRA balance as of December 31, 2011 by \$1,203,676, (3) SBPHA did not maintain complete and accurate record of administrative expenses for 2011, and (4) SBPHA failed to submit audited financial reports to HUD using the Financial Assessment Subsystem (FASS) for the fiscal years ended 2007-2010

Current Status Not resolved See item 2012-12

2011-11 Lack of Subrecipient Monitoring (14.218: Community Development Block Grant/Entitlement Grants)

Condition The Parish failed to provide subaward documents which would identify to the subrecipient the federal award information and applicable compliance requirements. There are no subrecipient monitoring policies and procedures in place.

Current Status Resolved

2011-12 Property Records Missing Required Grant Information (97.036: Disaster Grants – Public Assistance – FEMA)

Condition The Parish failed to identify source, percentage of federal participation in the cost, location, and condition of property and equipment purchased with federal funds on the property records report.

Current Status Not resolved See item 2012-13

ST. BERNARD PARISH GOVERNMENT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR-ENDED DECEMBER 31, 2012

Single Audit Findings (continued)

2010-02 Improperly Maintaining Documents Relevant to HUD Requirements (14.871: Section 8 Housing Choice Vouchers)

<u>Condition</u>	The Parish did not retain and maintain relevant documents that are necessary in order to be in compliance with HUD requirements. The types of documents not retained included annual move-in inspection forms, citizenship declaration forms, family consent to release information forms (HUD-9886), and HAP contracts.
<u>Current Status</u>	Resolved

To the Parish Council
St. Bernard Parish Government

In planning and performing our audit of the financial statements of St. Bernard Parish Government (the Parish) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Parish's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. Accordingly, we do not express an opinion on the effectiveness of the Parish's internal control.

However, during our audit we became aware of several matters as listed in Attachment I that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Parish's internal control in our *Government Auditing Standards* letter dated August 14, 2013. This letter does not affect our report dated August 14, 2013 on the financial statements of the Parish.

We will review the status of these comments during our next audit engagement. We have discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience.

The Parish's written responses to the comments identified in Attachment I and Attachment II have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Parish President, Parish Council, the State of Louisiana and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

Metairie, Louisiana
August 14, 2013

ST. BERNARD PARISH GOVERNMENT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2012-101 Information Technology Access controls

Observation. We observed the following items regarding information technology access during our general controls procedures

- The Parish does not have a formal process to administer user access for new hires and removal of access for terminated employees.
- The Parish does monitor user access on an informal basis throughout the year.
- Non-Information Technology personnel have “Administrator” access to the accounting system
- Password complexity requirements are not enabled on Windows
- There are no separate password controls established for Sage and users are not required to change their passwords on a periodic basis In addition, if users forget their passwords, a new user account is created since the employee’s account cannot be reset when a password is forgotten.

Recommendation The Parish should consider the following recommendations relating to access controls over the information technology systems of the Parish

- Management should consider formalizing the user access administration process including new hires, transfers, and terminations to all information systems used
- Management should adopt a policy for formal review of Parish employees access rights on a periodic basis throughout the year and document the review
- Administrator access rights should be limited to Information Technology personnel who do not have end user access in the system. If this is not efficient, management should adopt monitoring controls in place over employees with “Administrator” access.
- Management should enforce complexity requirements on Windows. In addition, passwords to Sage should be changes on a periodic basis Management should also discuss with the software vendors options for the Parish to be able to reset employees’ passwords when needed.

Management Response. The IT Department agrees with the comments and recommendations regarding formalizing the user access administration process The department will be working with the HR Department and Finance department to develop a standard notification procedure for hires, transfers and terminations to all information systems used. In regard to formalizing the review of Parish employee’s access rights, a committee will be formed and on-going procedures will be implemented to perform periodic reviews and validations of system user access

ST. BERNARD PARISH GOVERNMENT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2012-101 Information Technology Access controls (continued)

Presently, the IT Department does have monitoring controls in place which allows the administrators of the system to manage and track the organization's audit trail. Regarding the complexity requirements on Windows, we will be implementing it shortly. Sage software vendor has been contacted by management to discuss the options for the Parish to be able to reset employee's passwords and they indicated that the only way to do that is by changing the System Preferences to 'Use Windows Authentication'. The Pros and Cons of using Windows Authentication will be considered and the appropriate decision will be made soon.

2012-102 Escheatment of Un-negotiated items

Observation. The Parish's policy and procedures do not provide for routine review of items for escheatment to the State of Louisiana. We noted a number of items on the Parish's bank reconciliation which should be reviewed for escheatment.

Recommendation: The Parish should implement processes and procedures so that outstanding un-negotiated checks are escheated to the State of Louisiana on a timely basis.

Management Response: The Finance Department is in agreement with this comment. The Parish is in the process of devising a plan to semi-annually evaluate and submit unclaimed payments to the proper trustees.

ST. BERNARD PARISH GOVERNMENT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2012-103 Use of Hand Scanner Software

Observation. The Parish requires most employees to use the Microix hand scanner time-keeping system to track time worked in a day. Certain departments do not have access to the hand scanners and currently utilize manual time sheets.

Recommendation: We recommend the Parish provide access to the Microix hand scanner time-keeping system for all applicable employees so that internal controls over payroll processing would be improved.

Management Response: The Administration is in agreement with the recommendation of implementing an across-the-board requirement for all applicable personnel to be required to substantiate their hours worked through the Microix hand scanner timekeeping system.

ST. BERNARD PARISH GOVERNMENT
MANAGEMENT LETTER COMMENTS - PRIOR YEAR
FOR THE YEAR ENDED DECEMBER 31, 2012

2011-13 Timely Record Accounts Payable on Construction in Progress

Condition: We observed that accounts payable on construction projects in progress were not consistently recorded timely during the year. All expenditures incurred as of the end of a period should be recorded so that costs to date on construction projects in progress reflect all work performed on the project. We recommend that all invoices received after the end of the reporting period that apply to work done before the period end, be recorded as construction in progress. This will result in more accurate monthly financial statements, will keep Parish officials current on the progress of the construction projects, will assist the Parish in identifying potential budget variances, and may highlight a problem area earlier so that corrective action can be taken.

Current Status: Not resolved. See finding 2012-4

2011-14 Timely Updating of Earned Time Reports

Condition: During audit testing, we noticed that an employee used earned sick time; however, the earning time off report was not updated for the time used. If reports are not updated timely, employees will think they have more time available than actual and could result in the Parish overpaying employees for unearned time. We recommend the earned time off reports are updated timely to insure proper payment is made to employees.

Current Status: Resolved

2011-15 Overpayment of Overtime Hours

Condition: During audit testing, we noted that one individual was erroneously paid for 21 hours of overtime instead of the 2 hours actually worked. The Parish payroll department should double check all payroll time entered in the system against the time cards prior to submitting the payroll for disbursement to avoid punch errors.

Current Status: Resolved.

ST. BERNARD PARISH GOVERNMENT
MANAGEMENT LETTER COMMENTS - PRIOR YEAR
FOR THE YEAR ENDED DECEMBER 31, 2012

2011-16 Timely Request for Reimbursement of Operating Expenses

Condition. During audit testing, we noticed that allowable cost reimbursement of operating expenses for the Federal Transit grant is not requested timely. Timely request of reimbursement of funds would help increase cash flow for this department. We recommend to Finance Department provide general ledger details of operating expenses to the Federal Transit Department no later than March of the year following the expenses. This would allow the Federal Transit Department to timely receive reimbursement for allowed cost for the grant

Current Status: Resolved

2011-17 Interim Financial Statements

Condition Interim financial statements are provided to the public through the Parish Governments website. It appears from the large number of year-end adjustment that the Parish's interim financial statements did not include all the necessary adjustments to provide accurate monthly financial statements. We recommend that the Parish review and improve the monthly closing process to allow for more accurate monthly financial statements.

Current Status: Not resolved See finding 2012-1

2011-18 Improperly Maintaining Documents

Condition: While testing the Section 8 Housing Department tenant files, it was noted that relevant documents were either missing or not readily available in tenant files. Parish management should designate someone to ensure that all required documents are retained and stored within the appropriate HUD recipient's permanent file

Current Status: Resolved

ST. BERNARD PARISH GOVERNMENT
MANAGEMENT LETTER COMMENTS - PRIOR YEAR
FOR THE YEAR ENDED DECEMBER 31, 2012

2011-19 Landlord Payments

Condition While testing the Section 8 Housing Department tenant files, it was noted that the Parish improperly paid a landlord for one month of rent when the tenant had already moved out. When a tenant moves out, close out procedures should be followed timely to eliminate possible landlord overpayments. We recommend the Parish designate someone to ensure that all required close out procedures are performed timely.

Current Status Resolved

2011-20 Monthly Reconciliation for Grant Activity

Condition: It was noted that several grants, managed by third party grant managers, are not being reconciling on a monthly basis. We recommend all grant activity performed by a third party grant manager be reviewed and reconciled on a monthly basis.

Current Status Not resolved. See finding 2012-10