

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Financial Statements with Supplementary Information

December 31, 2019

(With Independent Auditors' Report Thereon)

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 5 |
| Basic Financial Statements: | |
| Government Wide Financial Statements: | |
| Statement of Net Position | 6 |
| Statement of Activities | 7 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 8 |
| Reconciliation of the Balance Sheet Fund Balance - Governmental Funds to the Statement of Net Position | 9 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds | 10 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities | 11 |
| Notes to Financial Statements | 12 - 21 |
| Required Supplemental Information: | |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 22 |
| Other Supplementary Information: | |
| Schedule of Compensation Paid to Board Members | 23 |
| Schedule of Compensation, Benefits, and Other Payments to Agency Head | 24 |
| Independent Auditors' 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 | 25 - 26 |
| Schedule of Findings and Management Corrective Action Plan | 27 |
| Status of Prior Year Findings | 28 |



Stephen M. Griffin, CPA
Robert J. Furman, CPA

Jessica S. Benjamin, Director
—
Members
American Institute of
Certified Public Accountants
Society of LA CPA's

Independent Auditors' Report

**Board of Commissioners
St. Tammany Parish Development District
Mandeville, Louisiana**

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Tammany Parish Development District (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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. 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2019, and the respective changes in financial position 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 on pages 3 to 5 and budgetary comparison information on page 22 be presented to supplement the basic financial statements. Such information, although not 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 District's financial statements as a whole. The accompanying information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of governing board on page 23 and the schedule of compensation, benefits, and other payments to agency head on page 24 are the responsibility of management and were derived from and relate 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2020, on our consideration of St. Tammany Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Griffin & Furman, LLC

June 18, 2020

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Management's Discussion and Analysis

For the Year Ended December 31, 2019

The basic financial statements of the St. Tammany Parish Development District (the District) include government-wide and governmental fund statements. The government-wide statement of net position and statement of activities present information for all the activities of the District's office, from an economic resources measurement focus using the accrual basis of accounting. Primarily, for our office, the difference between these statements and governmental fund statements is that assets are capitalized and depreciated over their estimated useful lives versus expensed in the governmental fund statements. The balance sheet - governmental fund details the assets and liabilities of the governmental fund while the reconciliation of the governmental fund balance sheet to the statement of net position reflects the difference from the amounts reported in the statement of net position. The statement of revenues, expenditures, and changes in fund balance - governmental fund reflects the current year receipt and disbursement of funds and the reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities reports the differences in the change in fund balance to the change in net position of the governmental activities. The difference between the adopted budget and the actual activities are reflected in the schedule of revenues, expenditures, and changes in fund balance - budget and actual - general fund.

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

Statements of Net Position and Statements of Activities

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

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

The funds maintained by the District are recorded as governmental activities in the statement of net position and statement of activities.

All of the expenses paid from the funds maintained are reported here as governmental activities and consist primarily of insurance, accounting fees, and support payments. A percentage of the state hotel and motel sales tax collections finance the operating activities of the District.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Management's Discussion and Analysis

For the Year Ended December 31, 2019

Financial Highlights

A summary of the basic government-wide financial statements is as follows:

Condensed statements of net position as of December 31, 2019 and 2018:

| | <u>2019</u> | <u>(Restated)</u> <u>2018</u> | <u>Change</u> |
|---|----------------------------|----------------------------------|------------------------|
| Total current assets | \$ 1,280,909 | 1,328,958 | (48,049) |
| Capital assets, net of depreciation | <u>431,683</u> | <u>415,895</u> | <u>15,788</u> |
| Total assets | <u>1,712,592</u> | <u>1,744,853</u> | <u>(32,261)</u> |
| Total current liabilities | 445,612 | 496,791 | (51,179) |
| Long-term liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>445,612</u> | <u>496,791</u> | <u>(51,179)</u> |
| Net position | | | |
| Net investment in capital assets | 431,683 | 415,895 | 15,788 |
| Unrestricted | <u>835,297</u> | <u>832,167</u> | <u>2,130</u> |
| Total net position | <u>1,266,980</u> | <u>1,248,062</u> | <u>18,918</u> |
| Total liabilities and net position | <u>\$ 1,712,592</u> | <u>1,744,853</u> | <u>(32,261)</u> |

Condensed statements of activities for the year ended December 31, 2019 and 2018:

| | <u>2019</u> | <u>(Restated)</u> <u>2018</u> | <u>Change</u> |
|---|----------------------------|----------------------------------|-----------------------|
| Program revenues | \$ 696,158 | 473,112 | 223,046 |
| General revenues | <u>761,775</u> | <u>621,085</u> | <u>140,690</u> |
| Total revenues | 1,457,933 | 1,094,197 | 363,736 |
| Expenditures | <u>1,439,015</u> | <u>1,043,713</u> | <u>395,302</u> |
| Change in net position | 18,918 | 50,484 | (31,566) |
| Net position – beginning of year | <u>1,248,062</u> | <u>1,197,578</u> | <u>50,484</u> |
| Net position – end of year | <u>\$ 1,266,980</u> | <u>1,248,062</u> | <u>18,918</u> |

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Management's Discussion and Analysis

For the Year Ended December 31, 2019

The District's assets exceeded its liabilities at the close of fiscal years 2019 by \$1,226,980 (net position), which represents a 1% increase over the previous year. The District had no deferred outflows as of December 31, 2019.

Cash was \$534,312 at December 31, 2019, compared to \$1,137,975 at December 31, 2018. This is a decrease of \$603,663, or 53%. The primary reason for the decrease in cash was the net transfer of approximately \$521,000 of cash to an investment account held with Louisiana Asset Management Pool during the year.

The District's revenue increased by \$363,736, or 33%, for the year ended December 31, 2019.

The District's expenses for the year ended December 31, 2019 increased by \$395,302, or 38%.

At December 31, 2019, the District's General Fund had an unassigned fund balance of \$679,674.

As a result of subtracting total expenses from total revenue, the District's net position increased by \$18,918 for the year ended December 31, 2019.

Revenue to the District consisted principally of state hotel and motel sales tax collections, lease income, and administrative fees, and pass-through funds for various projects the District was involved in. Expenditures for the District consisted primarily of salaries and PILOT expenditures.

Capital Assets

For the year ended December 31, 2019, capital assets, net of depreciation, increased by \$15,788.

General Fund Budgetary Highlights

For the year ended December 31, 2019, the annual budget was amended to include additional anticipated revenues as well as increases in expenses related to the District's Thrive 2023 Economic Development Strategic Plan.

Economic Factors and Next Year's Budget

The District considered many factors when setting the operating budget for its General Fund for the year ending December 31, 2020. The District anticipates increases in certain revenues and expenditures compared to the current year due to the continuation of the Thrive 2023 Economic Development Strategic Plan.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to St. Tammany Parish Development District located at 21489 Koop Drive, Suite 7, Mandeville, Louisiana 70471.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Statement of Net Position

December 31, 2019

| | <u>Governmental</u> | |
|-------------------------------------|---------------------|---------------------|
| | <u>Activities</u> | |
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 534,312 | |
| Investments | 496,912 | |
| Accounts receivable | 139,020 | |
| Intergovernmental receivable | 101,439 | |
| Prepaid expenses | <u>9,226</u> | |
| Total current assets | | 1,280,909 |
| Capital assets: | | |
| Office furniture and equipment, net | 31,683 | |
| Land | <u>400,000</u> | |
| Total capital assets | | <u>431,683</u> |
| | | <u>1,712,592</u> |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable | 13,825 | |
| Accrued expenses | 13,399 | |
| Unearned revenue, net | <u>418,388</u> | |
| Total current liabilities | | <u>445,612</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | | 431,683 |
| Unrestricted | | <u>835,297</u> |
| Total net position | | \$ <u>1,266,980</u> |

See accompanying notes to financial statements.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Statement of Activities

For the Year Ended December 31, 2019

| | <u>Governmental</u> | |
|--|---------------------|---------------------|
| | <u>Activities</u> | |
| Expenses: | | |
| Economic Development: | | |
| Salaries and benefits | \$ 607,895 | |
| PILOT expense | 203,000 | |
| Consulting | 154,527 | |
| Marketing | 128,543 | |
| Payroll taxes | 40,919 | |
| Legal and professional | 39,664 | |
| Insurance | 39,647 | |
| Travel | 37,560 | |
| Rent | 36,450 | |
| Repairs and maintenance | 32,200 | |
| Staff development | 30,763 | |
| Dues and subscriptions | 18,133 | |
| Other | 15,809 | |
| Communications/outreach | 12,671 | |
| Telephone | 11,015 | |
| Supplies | 9,257 | |
| Printing and reproduction | 8,234 | |
| Depreciation | 6,115 | |
| Utilities | 3,586 | |
| Service charges | <u>3,027</u> | |
| Total expenses | | 1,439,015 |
| | | |
| Program Revenues: | | |
| Administrative fees | 236,318 | |
| PILOT service fees | 215,500 | |
| Contributions | 176,835 | |
| Bond closing fees | 51,113 | |
| Interest income | 11,392 | |
| Other income | <u>5,000</u> | |
| Total program revenues | | <u>696,158</u> |
| | | |
| Net expense | | (742,857) |
| | | |
| General Revenues: | | |
| Hotel/Motel tax revenue, net | | <u>761,775</u> |
| | | |
| Change in net position | | 18,918 |
| | | |
| Net position, beginning of year | 1,226,722 | |
| Prior period adjustment - see Note 9 | <u>21,340</u> | |
| Net position, beginning of year, as restated | | <u>1,248,062</u> |
| | | |
| Net position, end of year | | <u>\$ 1,266,980</u> |

See accompanying notes to financial statements.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Balance Sheet

Governmental Funds

December 31, 2019

| | | <u>General Fund</u> |
|---|--------------------------------------|----------------------------|
| | <u>Assets</u> | |
| Cash and cash equivalents | \$ 534,312 | |
| Investments | 496,912 | |
| Accounts receivable | 139,020 | |
| Intergovernmental receivable | 101,439 | |
| Prepaid expenses | <u>9,226</u> | |
| Total assets | | \$ <u><u>1,280,909</u></u> |
| | <u>Liabilities</u> | |
| Accounts payable | \$ 13,825 | |
| Accrued expenses | 13,399 | |
| Unearned revenue, net | <u>418,388</u> | |
| Total liabilities | | 445,612 |
| | <u>Deferred Inflows of Resources</u> | |
| Unavailable revenue | | 20,319 |
| | <u>Fund Balance</u> | |
| Nonspendable | 9,226 | |
| Committed | 126,078 | |
| Unassigned | <u>679,674</u> | |
| Total fund balance | | <u><u>814,978</u></u> |
| Total liabilities, deferred inflows of resources & fund balance | | \$ <u><u>1,280,909</u></u> |

See accompanying notes to financial statements.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

**Reconciliation of the Balance Sheet Fund Balance - Governmental Funds
to the Statement of Net Position**

December 31, 2019

| | | |
|--|-----------|-------------------------|
| Fund balance - governmental fund | \$ | 814,978 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds | | 431,683 |
| Certain revenue is not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the governmental funds | | 20,319 |
| | | <hr/> |
| Net Position of governmental activities | \$ | <u>1,266,980</u> |

See accompanying notes to financial statements.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures, and Change in Fund Balance

Governmental Fund

For the Year Ended December 31, 2019

| | <u>General Fund</u> | |
|--|--------------------------|------------|
| Revenues: | | |
| Hotel/Motel tax revenue, net | \$ 761,775 | |
| Administrative fees | 236,318 | |
| PILOT service fees | 215,500 | |
| Contributions | 156,516 | |
| Bond closing fees | 51,113 | |
| Interest income | 11,392 | |
| Other income | 5,000 | |
| Total revenues | <u>1,437,614</u> | 1,437,614 |
| Expenditures: | | |
| Salaries and benefits | 607,895 | |
| PILOT expense | 203,000 | |
| Consulting | 154,527 | |
| Marketing | 128,543 | |
| Payroll taxes | 40,919 | |
| Legal and professional | 39,664 | |
| Insurance | 39,647 | |
| Travel | 37,560 | |
| Rent | 36,450 | |
| Repairs and maintenance | 32,200 | |
| Staff development | 30,763 | |
| Capital outlay | 21,903 | |
| Dues and subscriptions | 18,133 | |
| Other | 15,809 | |
| Communications/outreach | 12,671 | |
| Telephone | 11,015 | |
| Supplies | 9,257 | |
| Printing and reproduction | 8,234 | |
| Utilities | 3,586 | |
| Service charges | 3,027 | |
| Total expenses | <u>1,454,803</u> | 1,454,803 |
| Net change in fund balance | | (17,189) |
| Fund balance, beginning of year | 810,827 | |
| Prior period adjustment - see Note 9 | 21,340 | |
| Fund balance, beginning of year, as restated | <u>832,167</u> | 832,167 |
| Fund balance, end of year | \$ <u><u>814,978</u></u> | \$ 814,978 |

See accompanying notes to financial statements.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Fund to the Statement of Activities

For the Year Ended December 31, 2019

| | | |
|--|----|----------------------|
| Net change in fund balance - governmental fund | \$ | (17,189) |
| <p>Amounts reported for governmental activities in this statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p> | | |
| Capital asset additions | | 21,903 |
| Depreciation expense | | (6,115) |
| <p>Revenues in the government-wide statement of activities include economic resources that are not reported as revenues in the governmental fund operating statement. This is the amount by which current year deferred inflows of resources in the governmental funds of \$20,319 was greater than prior year deferred inflows of resources in the governmental funds of \$0.</p> | | |
| | | <u>20,319</u> |
| Change in net position of governmental activities | \$ | <u><u>18,918</u></u> |

See accompanying notes to financial statements.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

(1) Summary of Significant Accounting Policies

(a) Organization

St. Tammany Parish Development District (the District) was established for the purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy, and utilizing and developing the natural and human resources of St. Tammany Parish. The District was created by the State of Louisiana Revised Statutes (LRS) 33:130.401 to 33:130.409. It was reestablished as a separate political body under the provisions of Article VI, Section 44 of the Constitution of Louisiana. The District is governed by a Board of Commissioners (the Board), consisting of eleven voting members, nominated by the District and submitted to the St. Tammany Parish Council for confirmation. Commissioners serve 3-year terms.

(b) Reporting Entity

Governmental accounting standards established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. A component unit is a government that is financially accountable to another government or one for which another government can exert influence over its budget and operations. As St. Tammany Parish only confirms, but does not appoint, the District's Board, the District is not considered to be a component unit of St. Tammany Parish. The District has no component units.

(c) Basic Financial Statements - Government-Wide Financial Statements

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

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

(d) Basic Financial Statements - Fund Financial Statements

The District uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain government functions or activities. A fund is defined as a separate accounting entity with a self-balancing set of accounts. Funds are ordered into three major categories: governmental, proprietary, and fiduciary, which are grouped by fund type in the financial statements. Governmental fund types are those through which general governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

funds. The General Fund, the main operating fund of the District, is used to account for all financial resources.

(c) Basis of Accounting

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

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

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

(f) Budget Policies

The District adopts an annual budget for the General Fund on the modified accrual basis of accounting. The budget is legally adopted and amended as necessary by the District. All budgeted amounts which are not expended or obligated through contracts lapse at year-end.

(g) Cash and Cash Equivalents

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

(h) Receivables

All receivables are shown net of an allowance for uncollectibles. Intergovernmental receivables represent amounts due from the State for hotel/motel tax revenue. The District believes that all receivables are collectible at December 31, 2019.

(i) Capital Assets

Capital assets which include land and office furniture and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

assets, if any, are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets of the governmental funds are recorded as expenditures at the time they are purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets, except for land, are defined by the District as assets with an initial individual cost of more than \$1,000. Land is not depreciated. Office furniture and equipment is depreciated using the straight-line method over useful lives of 5 - 7 years.

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

(k) Fund Balance

In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components, as follows:

1. **Nonspendable** - This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. **Restricted** - This component consists of amounts that have constraints placed on them either externally by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
3. **Committed** - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
4. **Assigned** - This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
5. **Unassigned** - This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

The District has no restricted or assigned fund balances as of December 31, 2019. As of December 31, 2019, the nonspendable fund balance amounted to \$9,266 and the committed fund balance amounted to \$126,078. The committed fund balance represents amounts that can only be used for the Thrive 2023 Economic Development Strategic Plan.

The Board of Commissioners, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment by formal vote at a public board meeting. For assigned fund balance the Board of Commissioners authorizes management to assign amounts for a specific purpose.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use it is the District's policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

(l) Net Position

In accordance with GASB Codification, net position is classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2019 and for the year then ended, the District did not have or receive restricted net assets.

(m) New Accounting Pronouncements

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of GASB No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Management is still evaluating the potential impact of adoption of the District's financial statements. This Statement will be effective for the District for the fiscal year ending December 31, 2020.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

(2) Cash and Cash Equivalents

At December 31, 2019, the District had cash and cash equivalents (book balances) totaling \$534,312, which were demand deposits at a local financial institution. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2019, the District had \$562,160, in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$312,160, of pledged securities held by the custodial bank as of December 31, 2019.

(3) Investments

At December 31, 2019 the District had investments of \$496,912, which is stated at market using published quotes and consist entirely of investments in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book-entry form.

LAMP is administered by LAMP, Inc., a non-profit 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 LA – R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, 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 an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for 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.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

- **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 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 46 days as of December 31, 2019.
- **Foreign currency risk:** Not applicable.

The investments in LAMP are stated at fair value. 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.

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

(4) Receivables

Receivables of \$139,020 were recorded at December 31, 2019, which consists primarily of administrative fees, bond closing fees, and contributions. Intergovernmental receivable is State Act money due from the State of Louisiana in the amount of \$101,439 as of December 31, 2019 for hotel/motel tax revenue. Management of the District considers these receivables to be fully collectible.

(5) State Act Income and Unearned Income

For the year ended December 31, 2019 the District received hotel/motel taxes which were appropriated by the State. These revenues are recorded net of payments to St. Tammany Parish under the cooperative endeavor agreement as follows:

| | | |
|---|----|-----------------|
| Hotel/Motel tax revenue | \$ | 836,775 |
| Less: St. Tammany Parish cooperative endeavor agreement | | <u>(75,000)</u> |
| | \$ | <u>761,775</u> |

The District's appropriation for the State June 30, 2020 fiscal year is \$836,775. One half of this appropriation is recorded as unearned revenue in the amount of \$418,388, at December 31, 2019.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

(6) Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2019 for the primary government is as follows:

| | <u>Balance</u> <u>January 1,</u> <u>2019</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>December 31,</u> <u>2019</u> |
|---|--|------------------|------------------|--|
| Capital assets not being depreciated | | | | |
| Land | \$ 400,000 | - | - | <u>400,000</u> |
| Capital assets being depreciated | | | | |
| Office furniture and equipment | <u>21,433</u> | <u>21,903</u> | - | <u>43,336</u> |
| Total capital assets being depreciated | 21,433 | 21,903 | - | 43,336 |
| Less accumulated depreciation | <u>(5,338)</u> | <u>(6,115)</u> | - | <u>(11,653)</u> |
| Total capital assets being depreciated, net | <u>15,895</u> | <u>15,788</u> | - | <u>31,683</u> |
| Total capital assets, net | <u>\$ 415,895</u> | <u>15,788</u> | - | <u>431,683</u> |

The District recorded \$6,115 of depreciation expense on its capital assets for the year ended December 31, 2019.

(7) Conduit Debt Obligations

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

As of December 31, 2019, the following conduit debt obligations were outstanding:

| <u>Series</u> | <u>Issued</u> | <u>Mature</u> | <u>Balance at</u> <u>December 31, 2019</u> |
|---------------|---------------|---------------|---|
| 2002 | 04/2002 | 07/2022 | \$ 1,160,000 |
| 2003 | 06/2003 | 08/2023 | 25,000,000 |
| 2006A | 12/2006 | 12/2036 | 4,660,000 |
| 2008 | 03/2008 | 03/2033 | 5,425,000 |
| 2008 | 04/2008 | 04/2034 | 2,920,000 |
| 2008 | 04/2008 | 07/2038 | 30,060,000 |
| 2011 | 09/2011 | 09/2041 | 72,138,163 |

The District has entered into agreements with a private company to issue taxable revenue bonds of up to \$952,591,000. At December 31, 2019, no bonds have been issued on these agreements.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

(8) Leases

The District entered into an agreement on January 1, 2018 to lease commercial office space. The agreement calls for monthly payments of \$3,038. The lease expires December 31, 2020. Rent expense for the year ended December 31, 2019 totaled \$36,450. Future rent commitments under this lease amount to \$36,450 all of which will be due in the year ended December 31, 2020.

Pursuant to the taxable revenue bonds described in Note 7, the District has entered into lease agreements with private companies.

The District entered into a lease agreement with a private company, dated as of April 1, 2002, in connection with the issuance of \$ 15,380,000 of bonds issued for the benefit of the company. The lease expires on the earlier of July 1, 2022, or when the said bonds are retired. Under the lease, the company is required to make a monthly lease payment to the District equal to \$1,000. Upon payment in full of the bonds, the company has the option to purchase the property financed with the bonds for an amount equal to \$1,000, plus any of the District's fees.

The District entered into a lease agreement with a private company, dated as of June 1, 2003, in connection with the issuance of \$25 million of bonds issued for the benefit of the company. The lease expires on the earlier of August 1, 2023, or when the said bonds are retired. Under the lease, the company is required to pay an annual fee of \$2,500 to the District by April 1st of each year, as well as paying the reasonable fees and expenses of the Trustee under the trust indenture under which the bonds are issued. Also, so long as the lease remains in effect and the project financed with the said bonds is owned by the District, the project is exempt from ad valorem tax. The lease requires that the company make an annual payment on December 1st of each year, through and including December 1, 2022 with a final payment on June 1, 2023, in an amount based on a formula with a minimum of \$55,000 and a maximum of \$75,000. The District is required to pay 80% of this payment to St. Tammany Parish Fire Protection District No. 3 and 20% to St. Tammany Parish Recreation District No. 4. The land upon which this project was constructed was purchased by the company and donated to the District. As the District considers the value of the land to be insignificant, the land has not been recorded as an asset of the District. Upon payment in full of the bonds, the company has the option to purchase the property financed with the bonds for an amount equal to \$1,000, plus any of the District's fees.

The District entered into a lease agreement with a private company, dated as of April 1, 2008, in connection with the issuance of \$45 million of bonds issued for the benefit of the company. The lease expires on the earlier of April 1, 2038, or when the said bonds are retired. Under the lease, the company is required to pay an annual fee of \$2,500 to the District by February 1st of each year, commencing on February 1, 2009, as well as paying the reasonable fees and expenses of the Trustee under the trust indenture under which the bonds are issued. Also, so long as the lease remains in effect and the project financed with the said bonds is owned by the District, the project is exempt from the ad valorem tax.

The lease requires that the company make an annual payment on February 1st of each year, through and including February 1, 2024, in the amount of \$50,000, which the District intends to pay to the local fire protection district to defray the costs of fire protection. After February 1, 2024 and until all bonds are retired, the company will make an annual payment in lieu of taxes on February 1st of each year in the amount equal to 100% of ad valorem taxes that would otherwise be due with respect to the project which PILOT payment shall be paid directly to the applicable municipal and/or parish tax collector for distribution to the applicable taxing bodies based on their then current millage rates. Upon payment in

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

full of the bonds, the company has the option to purchase the property financed with the bonds for an amount equal to \$1,000, plus any of the District's fees.

The District entered into a lease agreement with a private company, dated as of September 1, 2011, in connection with the issuance of \$75 million of bonds issued for the benefit of the company (the 2011 Bonds). The lease expires on the earlier of September 1, 2041, or when the 2011 Bonds are retired. Under the lease, the company is required to pay an annual fee of \$25,000 to the District by February 1st of each year, as well as paying the reasonable fees and expenses of the Trustee under the trust indenture under which the 2011 Bonds are issued. Also, so long as the lease remains in effect and the project financed with the 2011 Bonds is owned by the District, the project is exempt from ad valorem tax. The lease requires that the company make an annual payment on February 1st of each year, through and including February 1, 2032, in the amount of \$75,000, to be distributed by the District to such taxing authorities located in the area of the project, and according to such allocation formula as the District may determine from time to time. The District also entered into a lease agreement and agreement to issue bonds with the same private company dated as of June 1, 2015, in connection with the expansion of the company's facility (the 2015 Lease). Although no new bonds were issued, the District agrees in the 2015 lease to issue bonds in the future under certain circumstances. Under the 2015 lease, the company is required to continue paying the \$25,000 annual fee described above. Additionally, the 2015 Lease requires that the company make an annual payment on February 1st of each year, through and including February 1, 2032, in the amount of \$15,500, to be distributed to all taxing bodies ratably based on their then current millage rates. After February 1, 2032 and until the 2011 Bonds are retired, the company will make an annual payment in lieu of taxes on February 1st of each year in the amount equal to 100% of ad valorem taxes that would otherwise be due with respect to the project which PILOT payment shall be paid directly to the applicable municipal and/or parish tax collector for distribution to the applicable taxing bodies based on their then current millage rates. Upon payment in full of the 2011 Bonds, the company has the option to purchase the property financed with the 2011 Bonds for an amount equal to \$5,000, plus any of the District's fees.

The District has entered into a series of Bareboat Charters and Agreements to Issue Bonds with a private company, and several affiliated companies under common ownership, dated as of December 1, 2011, December 1, 2012, December 1, 2013, December 1, 2014, December 1, 2015, December 1, 2016, December 31, 2017, December 31, 2018, and December 31, 2019 in connection with the acquisition by the company of the fleet of approximately 217 vessels (primarily tow boats and barges comprising a portion of the company's total fleet of vessels, of which 54 vessels were added during 2019) used by the company on domestic inland waterways. These agreements expire with respect to each of the vessels on December 31st of the years 2020 through 2028. Under the various agreements, as of December 31, 2019, the company is required to pay an annual fee of \$126,635 to the District by November 1st of each year. Also, so long as the various agreements remain in effect and the vessels are owned by the District, those vessels are exempt from ad valorem tax in St. Tammany Parish. At the end of the respective charter terms, the company has the option to purchase the respective vessels for an amount equal to \$1,000 per vessel, plus any of the District's fees.

(9) Restatement of Net Position and Fund Balance

In 2019, the District's general fund was restated. The restatement increased net position in the government wide financial statements and fund balance in the governmental fund financial statements by \$21,340. The restatement was due to the District not recording a receivable for certain administrative and bond closing fees that were due to the District at December 31, 2018.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Notes to Financial Statements

December 31, 2019

(10) Subsequent Events

The District evaluated subsequent events through June 18, 2020, the date which the financial statements were available to be issued. As a result of the spread of the COVID19 coronavirus, economic uncertainties have arisen which are likely to negatively impact hotel/motel tax revenue the District receives from the State of Louisiana. Other financial impact could occur though such potential impact is unknown at this time.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund

For the Year Ended December 31, 2019

| | Budget | | | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Hotel/Motel tax revenue, net \$ | 761,775 | 761,775 | 761,775 | - |
| Administrative fees | 169,668 | 234,318 | 236,318 | 2,000 |
| PILOT service fees | 215,500 | 215,500 | 215,500 | - |
| Contributions | 75,000 | 131,150 | 156,516 | 25,366 |
| Bond closing fees | 37,000 | 25,000 | 51,113 | 26,113 |
| Interest income | 3,000 | 12,185 | 11,392 | (793) |
| Other income | 4,192 | - | 5,000 | 5,000 |
| Total Revenue | 1,266,135 | 1,379,928 | 1,437,614 | 57,686 |
| Expenditures: | | | | |
| Salaries and benefits | 596,370 | 627,400 | 607,895 | 19,505 |
| PILOT expense | 215,500 | 203,000 | 203,000 | - |
| Consulting | 121,500 | 153,000 | 154,527 | (1,527) |
| Marketing | 35,000 | 150,000 | 128,543 | 21,457 |
| Payroll taxes | 46,294 | 46,800 | 40,919 | 5,881 |
| Legal and professional | 51,000 | 41,300 | 39,664 | 1,636 |
| Insurance | 51,350 | 41,950 | 39,647 | 2,303 |
| Travel | 20,000 | 42,000 | 37,560 | 4,440 |
| Rent | 36,450 | 36,450 | 36,450 | - |
| Repairs and maintenance | 19,260 | 33,000 | 32,200 | 800 |
| Staff development | 25,000 | 40,000 | 30,763 | 9,237 |
| Capital outlay | 3,000 | 15,000 | 21,903 | (6,903) |
| Dues and subscriptions | 5,200 | 8,000 | 18,133 | (10,133) |
| Other | 1,000 | 14,600 | 15,809 | (1,209) |
| Communications/outreach | 3,200 | 14,650 | 12,671 | 1,979 |
| Telephone | 7,850 | 16,300 | 11,015 | 5,285 |
| Supplies | 5,000 | 12,500 | 9,257 | 3,243 |
| Printing and reproduction | 12,041 | 11,000 | 8,234 | 2,766 |
| Utilities | 3,600 | 4,000 | 3,586 | 414 |
| Service charges | 4,500 | 4,385 | 3,027 | 1,358 |
| Miscellaneous / contingency | 3,020 | 25,593 | - | 25,593 |
| Total Expenditures | 1,266,135 | 1,540,928 | 1,454,803 | 86,125 |
| Net change in fund balance | - | (161,000) | (17,189) | 143,811 |
| Fund balance, beginning of year, as restated | 832,167 | 832,167 | 832,167 | - |
| Fund balance, end of year \$ | 832,167 | 671,167 | 814,978 | 143,811 |

See independent auditors' report.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Schedule of Compensation Paid to Board Members

For the Year Ended December 31, 2019

| <u>Board Member</u> | <u>Compensation</u> |
|---|---------------------|
| Bill Davis, President 1001 Gause Blvd., Slidell, LA 70458 | \$ - |
| Marty Mayer, Vice-President 109 Northpark Blvd., Suite 300, Covington LA 70433 | - |
| Michael Grambrell, Secretary / Treasurer 130 Carlisle Ct., Slidell, LA 70458 | - |
| Rhonda Bagby 424 Pencarrow Circle, Madisonville, LA 70447 | - |
| Scott Day 1875 Highway 59, Mandeville, LA 70448 | - |
| Al Hameuei 60162 Oak Lawn Ave., Lacombe, LA 70445 | - |
| Oscar Hernandez 2 Sanctuary Blvd., Ste 101, Mandeville, LA 70471 | - |
| Bruce Javery 35103 Camp Salmen Rd., Slidell, LA 70460 | - |
| Bill Newton 35140 Garden Dr., Slidell, LA 70460 | - |
| Mike Tillman 1330 Greengate Dr., Covington, LA 70433 | - |
| William Wainwright 615 City Park Ave., New Orleans, LA 70119 | - |
| | <hr/> |
| | \$ - |
| | <hr/> <hr/> |

See independent auditors' report.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Schedule of Compensation, Benefits, and Other Payments to Agency Head

For the Year Ended December 31, 2019

Agency Head Name: Chris Masingill, Executive Director

| <u>Purpose</u> | <u>Amount</u> |
|--|-------------------|
| Salary | \$ 189,784 |
| Benefits- insurance | 5,550 |
| Benefits- retirement | 5,366 |
| Benefits- others | 15,000 |
| Car allowance | 9,000 |
| Per diem | 684 |
| Reimbursements | 979 |
| Travel | 634 |
| Registration fees | 9,590 |
| Conference travel | 13,904 |
| Continuing professional education fees | 865 |
| Special meals | 600 |
| | <u>\$ 251,956</u> |

See independent auditors' report.



Stephen M. Griffin, CPA
Robert J. Furman, CPA

Jessica S. Benjamin, Director

—
Members

American Institute of
Certified Public Accountants
Society of LA CPA's

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

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

We have audited, 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, the financial statements of the governmental activities and major fund of the St. Tammany Parish Development District (the District), as of and for the year then ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Griffin & Furman, LLC

June 18, 2020

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Schedule of Findings and Management Corrective Action Plan

December 31, 2019

Summary of Audit Results:

- 1. Type of Report Issued – Unqualified**
- 2. Internal Control Over Financial Reporting**
 - a. Significant Deficiencies – No**
 - b. Material Weaknesses - No**
- 3. Compliance and Other Matters – No**
- 4. Management Letter - No**

ST. TAMMANY PARISH DEVELOPMENT DISTRICT

Status of Prior Findings

December 31, 2019

Not applicable



Stephen M. Griffin, CPA
Robert J. Furman, CPA

Jessica S. Benjamin, Director

—
Members

American Institute of
Certified Public Accountants
Society of LA CPA's

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

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the St. Tammany Parish Development District, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2019 thru December 31, 2019, in accordance with Act 774 of 2014 Regular Legislative Session.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Payroll and Personnel

1. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Finding:

A complete list of employees was provided by management. We selected 5 employees and agreed their salaries paid to their approved pay rates without exception.

Corrective Action:

Not applicable.

2. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #1 above, obtain attendance records and leave documentation for the pay period. and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Finding:

Procedure performed without exceptions.

Corrective Action:

Not applicable.

3. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Finding:

Not applicable. There were no terminations during the testing period.

Corrective Action:

Not applicable.

4. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Finding:

Procedure performed without exceptions.

Corrective Action:

Not applicable.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

1. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Finding:

Procedure performed without exceptions.

Corrective Action:

Not applicable.

2. For each location selected under #1 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Finding:

There are two different employees involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. There is also a segregation of duties with one employee processing and another approving payments to vendors. The Manager of Administration is the only person responsible for processing payment and is also responsible for adding and modifying vendor files due to the small size of the District. Checks are signed by two board members.

Corrective Action: *The District will develop a new vendor form to be completed for all new vendors which will require approval by the CEO.*

3. For each location selected under #1 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #2, as applicable.

Finding:

Procedure performed without exception.

Corrective Action:

Not applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

1. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Finding:

Procedure performed without exception. During the testing period the District had four credit cards.

Corrective Action:

Not applicable.

2. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Select the December 2019 monthly statement or combined statement for each card (for a debit card, select the December 2019 bank statement). obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Finding:

For the month of December, three of the credit card statements were reviewed and approved, in writing, by the CEO. The CEO's credit card statement was not approved, in writing, by someone other than the authorized card holder.

Corrective Action:

The District has three board members and three employees who are authorized to sign checks. Two signatures are required on each check. Typically, at least one board member is one of the check signers and reviews the documentation supporting each check. Accordingly, there generally is some type of review by a board member of the CEO's credit card statements. However, in the future a board member will review and approve, in writing, the CEO's credit card statements.

3. Using the monthly statements or combined statements selected under #2 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address the missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Finding:

All debit card transactions were supported by an original itemized receipt that identified precisely what was purchased. Each item has written documentation of the business/public purpose.

Corrective Action:

Not applicable.

Contracts

1. Obtain a listing of all St. Tammany Parish Development District Board member and management immediate family member as defined by R.S. 42:1101-1124 (Louisiana Code of Ethics) and managements representation that the listing is complete.

Finding:

Procedure performed without exception.

Corrective Action:

Not applicable.

2. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
 - a) Observe if any contracts selected for testing were awarded to a person(s) found on the listing obtained in question #1.
 - b) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - c) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - d) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

- e) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Finding:

Procedure performed without exception.

Corrective Action:

Not applicable.

Information Technology Disaster Recovery/Business Continuity

1. Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Finding:

The District is in the process of developing a written policy over information technology disaster recovery/business continuity.

Corrective Action:

The District has draft an initial policy and forwarded the draft to its IT consultant for further review and input. Upon completion it will be adopted by the Board.

2. Perform the following sub-procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Finding:

We performed the procedure and discussed the results with management.

Corrective Action:

Not applicable.

- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible

for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Finding:

We performed the procedure and discussed the results with management.

Corrective Action:

Not applicable.

- c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up-to-date).

Finding:

We performed the procedure and discussed the results with management.

Corrective Action:

Not applicable.

Sexual Harassment

1. Obtain and inspect the entity's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Finding:

The District's written sexual harassment policies and procedures did not address annual employee training or annual reporting requirements.

Corrective Action:

The District will revise the policy to include provisions addressing annual training and reporting requirements.

2. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

Finding:

The District was unaware of the new training requirement thus no training was administered in 2019.

Corrective Action:

The District has contacted the Louisiana State Civil Service Department and obtained training materials that will be implemented as soon as possible for all employees.

3. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Finding:

The District's sexual harassment policy is not on the District's website.

Corrective Action:

The District will post its sexual harassment policy on the District's website.

4. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344.

Finding:

The District was unaware of the new reporting requirement thus no report had been prepared by February 1st.

Corrective Action:

The District has prepared the 2019 report and will prepare future reports by the required date.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the St. Tammany Parish Development District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Griffin & Furman, LLC

June 18, 2020