

**ST. TAMMANY PARISH
WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Annual Financial Statements

December 31, 2021



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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Waterworks District No. 3
Covington, Louisiana

Opinions

We have audited the financial statements of the business-type activities of St. Tammany Parish Waterworks District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principals generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principals generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principals generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis 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 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 schedule of compensation, benefits, and other payments to agency head is 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 the *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.



A Professional Accounting Corporation

Covington, LA
September 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

Overview of the Financial Statements

These financial statements consist of two sections: Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the statement of net position; the statement of revenues and expenses; the statement of changes in net position; and the statement of cash flows.

The statement of net position presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues and expenses and the statement of changes in net position present information showing how the District's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statement of cash flows presents information showing how the District's cash changed as a result of current year operations. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by Governmental Accounting Standards Board (GASB) 34.

Financial Analysis of the District

Summary Statements of Net Position

	2021	2020
Current and Restricted Assets	\$ 870,981	\$ 1,132,410
Capital Assets, Net	<u>3,684,366</u>	<u>3,574,357</u>
Total Assets	<u>4,555,347</u>	<u>4,706,767</u>
Current and Other Liabilities	566,622	599,641
Long-Term Debt Outstanding	<u>1,936,109</u>	<u>1,983,352</u>
Total Liabilities	<u>2,502,731</u>	<u>2,582,993</u>
Net Position		
Net Investment in Capital Assets	1,748,257	1,781,104
Restricted	99,577	102,260
Unrestricted	<u>204,782</u>	<u>240,410</u>
Total Net Position	<u>\$ 2,052,616</u>	<u>\$ 2,123,774</u>

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

Summary Statements of Revenues and Expenses

	2021	2020
Operating Revenue	\$ 418,958	\$ 420,314
Operating Expenses	<u>411,760</u>	<u>356,473</u>
Operating Income	7,198	63,841
Non-Operating Revenue (Expense), Net	<u>(78,356)</u>	<u>(77,337)</u>
Change in Net Position	<u>\$ (71,158)</u>	<u>\$ (13,496)</u>

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2021, the District had \$3,684,366, net of accumulated depreciation, invested in a broad range of capital assets, including land, rights of way, plant and distribution system, and furniture and equipment. (See table below.)

	2021	2020
Land	\$ 438,891	\$ 438,891
Plant and Equipment	4,139,824	3,932,302
Less: Accumulated Depreciation	<u>(894,349)</u>	<u>(796,836)</u>
Total Capital Assets, Net	<u>\$ 3,684,366</u>	<u>\$ 3,574,357</u>

Debt

The District had \$1,925,000 in bonds outstanding at December 31, 2021. A summary of this debt is shown in the table below:

	2021	2020
Water Revenue Bonds	<u>\$ 1,925,000</u>	<u>\$ 1,970,000</u>
Total Debt	<u>\$ 1,925,000</u>	<u>\$ 1,970,000</u>

Contacting the District's 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. If you have questions about this report or need additional financial information, contact Brian Swindell, Board President, P.O. Box 1478, Covington, Louisiana 70434.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Net Position
December 31, 2021

Assets

Current Assets

Cash and Cash Equivalents	\$ 560,804
Revenue Receivable - Charges for Services	38,936
Prepaid Expenses	<u>7,898</u>

Total Current Assets 607,638

Restricted Assets

Cash and Cash Equivalents	
Restricted for Debt Service	181,702
Restricted for Meter Deposits	<u>81,641</u>

Total Restricted Assets 263,343

Capital Assets

Plant and Equipment, Net	3,245,475
Land	<u>438,891</u>

Total Capital Assets, Net 3,684,366

Total Assets 4,555,347

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Net Position (Continued)
December 31, 2021

Liabilities	
Current Liabilities (Payable from Unrestricted Assets)	
Accounts Payable	40,758
Unearned Revenue	26,870
Due to Other Governmental Entities	<u>335,228</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>402,856</u>
Current Liabilities (Payable from Restricted Assets)	
Accrued Interest on Bonds	33,833
Meter Deposits	84,933
Current Maturities of Bonds Payable	<u>45,000</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>163,766</u>
Long-Term Debt, Net of Current Maturities	
Revenue Bonds Payable	<u>1,936,109</u>
Total Long-Term Debt	<u>1,936,109</u>
Total Liabilities	<u>2,502,731</u>
Net Position	
Net Investment in Capital Assets	1,748,257
Restricted	99,577
Unrestricted	<u>204,782</u>
Total Net Position	<u><u>\$ 2,052,616</u></u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Revenues and Expenses
For the Year Ended December 31, 2021

Operating Revenue	
Charges for Service	\$ 414,225
Administrative and Late Fees	<u>4,733</u>
Total Operating Revenue	<u>418,958</u>
Operating Expenses	
Advertising	3,288
Bank Charges	1,522
Depreciation	97,513
Engineering Fees	37,476
Insurance	10,384
Legal and Professional Services	41,463
Licenses and Permits	12,401
Office Supplies and Expenses	959
Postage and Delivery	2,565
Repairs and Maintenance	165,889
Utilities and Telephone	<u>38,300</u>
Total Operating Expenses	<u>411,760</u>
Operating Income	<u>7,198</u>
Non-Operating Revenue (Expense)	
Interest Expense	(79,107)
Interest Income	<u>751</u>
Total Non-Operating Revenue (Expense), Net	<u>(78,356)</u>
Change in Net Position	<u><u>\$ (71,158)</u></u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Changes in Net Position
For the Year Ended December 31, 2021

Net Position, Beginning of Year	\$ 2,123,774
Change in Net Position	<u>(71,158)</u>
Net Position, End of Year	<u><u>\$ 2,052,616</u></u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Receipts from Customers	\$ 423,580
Payments to Suppliers for Goods and Services	<u>(349,484)</u>
Net Cash Provided by Operating Activities	<u>74,096</u>
Cash Flows from Non-Capital Financing Activities	
Increase in Due to Other Governmental Entities	(8,762)
Net Receipts from Meter Deposits	<u>5,633</u>
Net Cash Used in Non-Capital Financing Activities	<u>(3,129)</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(207,522)
Principal and Interest Payments of Bonds Payable	<u>(127,100)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(334,622)</u>
Cash Flows from Investing Activities	
Interest Received	<u>751</u>
Net Cash Provided by Investing Activities	<u>751</u>
Net Decrease in Cash and Cash Equivalents	(262,904)
Cash and Cash Equivalents, Beginning of Year	<u>1,087,051</u>
Cash and Cash Equivalents, End of Year	<u>\$ 824,147</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2021

Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income	\$ 7,198
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	97,513
Increase in Receivables	(898)
Increase in Prepaid Expenses	(577)
Decrease in Accounts Payable	(34,660)
Increase in Unearned Revenue	<u>5,520</u>
 Net Cash Provided by Operating Activities	 <u>\$ 74,096</u>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Introduction

St. Tammany Parish Waterworks District No. 3 (the District) was created by the St. Tammany Parish Police Jury as provided by Louisiana Revised Statute (R.S.) 33:3881. The District is governed by a five-member board of commissioners (the Board), who are residents of and own real estate in the District. The Board is appointed by the St. Tammany Parish Council and is responsible for providing water service to users within the boundaries of the District. The water comes from deep artesian wells, and it is distributed through a central water tower. The District is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4. At December 31, 2021, the District had approximately 826 customers.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100, the District is considered a component unit of the St. Tammany Parish (the Parish) reporting entity because (1) commissioners of the District are appointed by the Parish, and (2) the District provides water services to residents within St. Tammany Parish. While the District is an integral part of the Parish reporting entity and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of the District and do not present information on the Parish, the general government services provided by the Parish, or on other component units that comprise the St. Tammany Parish reporting entity.

Fund Accounting

The accounts of the District are organized on the basis of proprietary fund accounting used by governmental entities. The proprietary fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB No. 63, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- a. *Net Investment in Capital Assets* - This component of net position consists of the historical cost of capital assets, including any 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, plus deferred outflows of resources, less deferred inflows of resources related to those assets.
- b. *Restricted* - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* - All other net position is reported in this category.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statements

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplementary information (RSI) consist of the following:

1. Management's discussion and analysis (MD&A)
2. Statement of net position
3. Statement of revenues, expenses, and changes in net position
4. Statement of cash flows
5. Notes to financial statements
6. RSI, if applicable

The District is a special-purpose government engaged only in business-type activities.

Cash and Cash Equivalents and Investments

Cash and cash equivalents include amounts in interest-bearing and non-interest-bearing demand deposits. The District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state of the union, or the laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. State law (R.S. 39:1225) provides that the amount of security shall at all times be equal to 100% of the amount on deposit with each depository authority, except that portion of the deposit insured by the United States of America. State law also allows the District to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Revenues Receivable

The District bills customers in the month following the month in which services were provided. Unbilled service charges are accrued for the month of December at year-end. Revenues receivable on the accompanying statement of net position are considered to be fully collectible at December 31, 2021. Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of an account.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

All capital assets of the proprietary fund are recorded at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Pre-construction costs associated with the development of the water system, which include engineering, legal, and interest costs, are capitalized and depreciated over their useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The following estimated useful lives are used to compute depreciation:

Assets	Estimated Useful Lives
Infrastructure - Water System	20 - 35 Years
Equipment	15 - 20 Years

Federal Income Taxes

The District is not subject to federal income taxes in accordance with Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements - Not Yet Adopted

The GASB issued Statement No. 87, *Leases*. The objective of GASB 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 a tangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance*, postponing the effective date of GASB 87 to reporting periods beginning after June 15, 2021. Adoption of this standard will have no impact on the financial statements.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements - Not Yet Adopted (Continued)

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement is effective for fiscal years beginning after June 15, 2022. It is currently unknown if adoption of this standard will have an impact on the financial statements.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Statement amends Questions 4.3 and 4.5 of Implementation Guide 201-2. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective for fiscal years beginning after June 15, 2021. Adoption of this standard will have no impact on the financial statements.

Note 2. Cash and Cash Equivalents

At December 31, 2021, cash and cash equivalents for both current and restricted demand deposits consisted of the following:

Unrestricted	\$ 560,804
Restricted	<u>263,343</u>
Cash on Hand and in Bank	<u>\$ 824,147</u>

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District's deposit policy for custodial credit risk conforms to state law, as described in Note 1. At December 31, 2021, \$278,690 of the District's deposit bank balances was subject to custodial credit risk.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 3. Restricted Assets

At December 31, 2021, restricted assets consisted of the following:

Restricted for Debt Service	\$ 181,702
Restricted for Meter Deposits	<u>81,641</u>
Total Restricted Assets	<u><u>\$ 263,343</u></u>

Note 4. Revenues Receivable - Charges for Services

The District had the following accounts receivable categorized by coverage area for the year ended December 31, 2021:

Riverwood	\$ 18,275
Covington Country Club	<u>20,661</u>
Total	<u><u>\$ 38,936</u></u>

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 5. Capital Assets

Capital assets activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 438,891	\$ -	\$ -	\$ 438,891
Total Capital Assets Not Being Depreciated	438,891	-	-	438,891
Capital Assets Being Depreciated				
Well	3,131,419	172,847	-	3,304,266
Building	735	-	-	735
Land Improvements	-	6,250	-	6,250
Water System Improvements	413,132	-	-	413,132
Water Lines	134,627	-	-	134,627
Water Storage	139,291	-	-	139,291
Machinery and Equipment	59,590	28,425	-	88,015
Control System	33,792	-	-	33,792
Improvements	19,716	-	-	19,716
Total Capital Assets Being Depreciated	3,932,302	207,522	-	4,139,824
Less Accumulated Depreciation for:				
Well	(159,517)	(82,163)	-	(241,680)
Building	(735)	-	-	(735)
Water System Improvements	(295,691)	(12,052)	-	(307,743)
Water Lines	(133,370)	(45)	-	(133,415)
Water Storage	(139,296)	-	-	(139,296)
Machinery and Equipment	(54,172)	(980)	-	(55,152)
Control System	(3,802)	(1,690)	-	(5,492)
Improvements	(10,253)	(583)	-	(10,836)
Total Accumulated Depreciation	(796,836)	(97,513)	-	(894,349)
Total Capital Assets Being Depreciated, Net	3,135,466	110,009	-	3,245,475
Total Capital Assets, Net	\$ 3,574,357	\$ 110,009	\$ -	\$ 3,684,366

The District recorded \$97,513 in depreciation expense on its capital assets for the year ended December 31, 2021.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 6. Long-Term Debt

The following is a summary of bond transactions of the District for the year ended December 31, 2021:

Bonds Payable at January 1 st	\$ 1,970,000
Bonds Issued	-
Bonds Retired	<u>(45,000)</u>
Bonds Payable at December 31st	<u>\$ 1,925,000</u>

The following is a description of the bonds of the District for the year ended December 31, 2021:

Revenue Bonds

\$2,145,000 Water Revenue Bonds dated July 20, 2016; due in annual principal payments of \$45,000 - \$120,000, plus semi-annual interest payments through August 1, 2046, with interest at 2.0% to 5.0%, collateralized by water revenues.	<u>\$ 1,925,000</u>
Total Bonds Payable	1,925,000
Less: Current Maturities	(45,000)
Plus: Bond Premiums	<u>56,109</u>
Non-Current Portion of Bonds Payable	<u>\$ 1,936,109</u>

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Principal and interest payments due on the revenue bonds outstanding as of December 31, 2021 are as follows:

Year Ending December 31,	Water Revenue Bonds		
	Principal	Interest	Total
2022	\$ 45,000	\$ 81,200	\$ 126,200
2023	45,000	79,850	124,850
2024	50,000	78,500	128,500
2025	50,000	77,000	127,000
2026	50,000	75,500	125,500
2027 - 2031	290,000	342,750	632,750
2032 - 2036	370,000	262,500	632,500
2037 - 2041	460,000	169,600	629,600
2042 - 2046	565,000	69,200	634,200
Total	\$ 1,925,000	\$ 1,236,100	\$ 3,161,100

Note 7. Net Position

Net position for the year ended December 31, 2021 consisted of the following:

Net Investment in Capital Assets	\$ 1,748,257
Restricted	99,577
Unrestricted	<u>204,782</u>
Total	<u>\$ 2,052,616</u>

Note 8. Board Members' Per Diem Payments

There were no fees paid to board members during the year ended December 31, 2021.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 9. Due to Other Governmental Entities

The District is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4. Sewerage fees collected that had not been remitted to the sewerage districts at December 31, 2021 were as follows:

Due To	Amount
St. Tammany Parish Sewerage District No. 1	\$ 309,140
St. Tammany Parish Sewerage District No. 4	<u>26,088</u>
Total	<u>\$ 335,228</u>

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance in amounts it believes sufficient to cover the risks of loss to which it is exposed.

Note 11. Contingency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. It is unknown how long these conditions will last and what the complete financial effect will be to the District.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2021

Agency Head
 Brian Swindell, President

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Waterworks District No. 3
Covington, 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 accompanying financial statements of St. Tammany Parish Waterworks District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 30, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 over financial reporting 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. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
September 30, 2022

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
COVINGTON, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2021

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| c. Noncompliance material to the financial statements? | No |
| 3. Management letter comment provided? | None |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Prior Year Findings Related to the Financial Statements

None.

AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Waterworks District No. 3

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of January 1, 2021 - July 31, 2021

To the Board of Commissioners
St. Tammany Parish Waterworks District No. 3
Covington, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified by the Louisiana Legislative Auditor's (LLA) Agreed-Upon Procedures (AUPs) in accordance with the authority of Act 774 of the 2014 Regular Legislative Session for the period from January 1, 2021 through July 31, 2021. St. Tammany Parish Waterworks District No. 3's (the District) management is responsible for those C/C areas identified in the AUPs.

Management of St. Tammany Parish Waterworks District No. 3, a component unit of St. Tammany Parish, Louisiana, has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified by the LLA's AUPs in accordance with the authority of Act 774 of the 2014 Regular Legislative Session for the period January 1, 2021 to July 31, 2021. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures (follow-up)

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures, as applicable:
 - a. **Contracting**, including (1) types of services requiring written contracts and (2) legal review.
 - b. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121 and (2) system to monitor possible ethics violations.

- c. **Debt Service**, including (1) EMMA reporting requirements, (2) debt reserve requirements, and (3) debt service requirements.

Results: We were unable to perform the procedure as the Board not provide us with written policies and procedures over contracting, ethics, or debt service.

Board Oversight (follow-up)

1. Obtain and review all board minutes for the fiscal period, and:
 - a. Report if a reconciliation of billing receipts to joint bank account, reconciliation of customer billings to deposits, and/or customer account adjustments was presented to the Board for at least one meeting during the fiscal period.

Results: We reviewed all board minutes from the period under review and noted that the Board reviews financials each month. Upon review of the monthly financial packets, we noted that they include such reconciliations as described above.

Open Meetings Law Compliance (follow-up)

1. Report whether the minutes obtained under Board Oversight above were published in the official journal of the entity.

Results: No exceptions noted.

Debt Collection/Write-off (follow-up)

1. Obtain and inspect the entity's written policies and procedures over debt collection and write-off and observe that they require a monthly review of accounts receivable aging schedule(s); methods, time frames, and documentation related to debt collection efforts; and criteria for write-offs.

Results: We were unable to perform the procedure as the Board did not provide us with written policies and procedures over debt collection and write-offs.

2. Obtain the accounts receivable aging schedule(s) from management as of the last day of the period under review. Obtain management's representation that the schedule(s) are complete. Randomly select 10 accounts that are identified as more than 90 days past due, or is less than 10 accounts, select the entire population. Obtain account documentation for the selected accounts and observe that management pursued collection efforts for each account (e.g., late notices, account terminations/cut-offs, legal action).

Results: For one of the two applicable accounts greater than 90 days past due, there was no documentation that management pursued collection efforts.

We were engaged by St. Tammany Parish Waterworks District No. 3 to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified by the LLA AUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of St. Tammany Parish Waterworks District No. 3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified by the LLA, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
September 30, 2022

St. Tammany Parish Water District No. 3
P.O. Box 1478, Covington , LA 70434

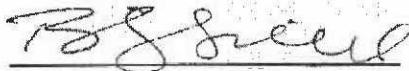
Mr. Michael J. Waguespack
Louisiana Legislative Auditor
1600 N 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Act 774 Agreed-Upon Procedures

The management of St. Tammany Parish Waterworks District No. 3 wishes to provide the following responses relative to the results of the 2021 Act 774 agreed-upon procedures engagement:

- 1) In response to the results of the Written Policies and Procedures section, we will create and implement written policies and procedures over contracting, ethics, and debt service that include all necessary components.
- 2) In response to the results of the Debt Collection/Write-off section, we will create and implement written policies and procedures over debt collection and write-offs and ensure procedures are in place to follow up on all late accounts.

Sincerely,



Name



Entity