

**ST. TAMMANY PARISH
WATERWORKS DISTRICT NO. 3**

Financial Statements with Supplementary Information

December 31, 2025

(With Independent Auditor's Report Thereon)

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 6
Basic Financial Statements:	
Statement of Net Position	7 - 8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 17
Other Supplementary Information:	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	18
Schedule of Compensation Paid to Board Members	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21
Schedule of Findings and Management's Corrective Action	22 - 23
Status of Prior Year Findings	24 - 25



American Institute of Certified Public Accountants
Society of Louisiana CPAs

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

Howard P. Vollenweider, CPA
Jessica S. Benjamin
Racheal D. Alvey
Michael J. Caparotta, CPA

Angela M. Warden

Michael R. Choate, CPA
Kent A. Berger, CPA

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the business-type activities, of the St. Tammany Parish Waterworks District No. 3 (the District) as of and for the year ended December 31, 2025, 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 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 principles 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.

Covington
205 E. Lockwood St.
Covington, LA 70433
Phone (985) 727-9924
Fax (985) 727-9975

Baton Rouge
2915 S. Sherwood Forest Blvd.,
Suite B
Baton Rouge, LA 70816
Phone (225) 292-7434
Fax (225) 293-3651

West Monroe
4900 Cypress St. #15
West Monroe, LA 71291
Phone (318) 397-2472

New Orleans
525 St Charles Ave,
New Orleans, LA 70130
Phone (504) 299-3434

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 generally accepted 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 judgment made by a reasonable user based on the financial statements.

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

Other 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 and the schedule of compensation paid to board members are presented for purposes of additional analysis and are 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 and the schedule of compensation paid to board members are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, 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, grant agreements, and other matters. The purpose of the 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.

Griffin & Furman, LLC

Covington, Louisiana

June 25, 2026

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Management's Discussion and Analysis

December 31, 2025

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, expenses, and 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, expenses, and 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) Statement No. 34.

Financial Analysis of the District

The following presents condensed financial information on the operation of the District:

	<u>2025</u>	<u>2024</u>
Current and restricted assets	\$ 863,736	741,230
Capital assets, net of depreciation	<u>3,273,047</u>	<u>3,374,259</u>
Total assets	<u>\$ 4,136,783</u>	<u>4,115,489</u>
Current and other liabilities	\$ 414,827	375,771
Long-term liabilities	<u>1,732,133</u>	<u>1,784,377</u>
Total liabilities	<u>2,146,960</u>	<u>2,160,148</u>
Net position:		
Net investment in capital assets	1,490,914	1,539,882
Restricted	141,265	152,949
Unrestricted	<u>357,644</u>	<u>262,510</u>
Total net position	<u>1,989,823</u>	<u>1,955,341</u>
Total liabilities and net position	<u>\$ 4,136,783</u>	<u>4,115,489</u>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**Management's Discussion and Analysis****December 31, 2025**

	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 507,005	517,823
Operating expenses	<u>(404,883)</u>	<u>(415,712)</u>
Operating income (loss)	102,122	102,111
Non-operating revenue (expense), net	<u>(67,640)</u>	<u>(67,503)</u>
Change in net position	<u>\$ 34,482</u>	<u>34,608</u>

Operating revenues decreased approximately \$10,800 (2.1%) from the prior year, while operating expenses decreased approximately \$10,800 (2.6%), resulting in operating income that remained consistent with the prior year. Net position increased by \$34,482 during 2025, primarily due to positive operating results. The District also reduced outstanding revenue bond principal by \$50,000 during the year while increasing cash and cash equivalents by approximately \$125,500.

The District's financial position remained stable during 2025. Positive operating results enabled the District to continue reducing outstanding revenue bond principal while increasing cash and maintaining adequate resources for operations and debt service.

Capital Assets and Debt Administration:**Capital Assets**

As of December 31, 2025, the District had \$3,273,047 invested in capital assets, net of accumulated depreciation. Capital assets consist primarily of land, wells, water distribution infrastructure, water storage facilities, and machinery and equipment.

	<u>2025</u>	<u>2024</u>
Land	\$ 408,564	408,564
Plant and equipment	4,168,729	4,168,729
Less: accumulated depreciation	<u>(1,304,246)</u>	<u>(1,203,034)</u>
Total capital assets, net	<u>\$ 3,273,047</u>	<u>3,374,259</u>

Debt

The District had \$1,782,133 in bonds outstanding at December 31, 2025. A summary of this debt is shown below:

	<u>2025</u>	<u>2024</u>
Water revenue bonds	\$ 1,735,000	1,785,000
Bond premiums	<u>47,133</u>	<u>49,377</u>
Total debt	<u>\$ 1,782,133</u>	<u>1,834,377</u>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Management's Discussion and Analysis

December 31, 2025

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.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Statement of Net Position

December 31, 2025

Assets

Current assets:

Cash and cash equivalents	\$	536,353
Revenue receivable - charges for services		41,024
Prepaid insurance		<u>11,269</u>

Total current assets **588,646**

Restricted cash:

Restricted for debt service	180,107
Restricted for meter deposits	<u>94,983</u>

Total restricted assets **275,090**

Capital assets:

Plant and equipment, net of accumulated depreciation	2,864,483
Land	<u>408,564</u>

Total capital assets, net **3,273,047**

Total assets **\$ 4,136,783**

See accompanying notes to financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Statement of Net Position (Continued)

December 31, 2025

Liabilities and Net Position

Current liabilities (payable from unrestricted assets):

Accounts payable	\$	23,215
Other liabilities		29,065
Due to other governmental entities		<u>178,722</u>

Total current liabilities (payable from unrestricted assets)	231,002
---	---------

Current liabilities (payable from restricted assets):

Accrued interest on bonds	33,271
Meter deposits	100,554
Current maturities of revenue bonds payable	<u>50,000</u>

Total current liabilities (payable from restricted assets)	183,825
---	---------

Long-term debt, net of current maturities:

Revenue bonds payable	<u>1,732,133</u>
-----------------------	------------------

Total long-term debt	<u>1,732,133</u>
----------------------	------------------

Total liabilities	2,146,960
-------------------	-----------

Net position:

Net investment in capital assets	1,490,914
Restricted	141,265
Unrestricted	<u>357,644</u>

Total net position	<u>1,989,823</u>
--------------------	------------------

Total liabilities and net position	<u><u>\$ 4,136,783</u></u>
------------------------------------	----------------------------

See accompanying notes to financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2025

Operating revenues:		
Charges for services	\$ 499,705	
Administrative and late fees	<u>7,300</u>	
Total operating revenues		<u>507,005</u>
Operating expenses:		
Bank charges	1,265	
Depreciation	101,212	
Engineering fees	26,678	
Insurance	14,664	
Legal and professional fees	38,706	
Licenses and permits	9,778	
Office supplies and expenses	531	
Postage and delivery	2,301	
Repairs and maintenance	157,275	
Utilities	<u>52,473</u>	
Total operating expenses		<u>404,883</u>
Operating income		<u>102,122</u>
Non-operating revenue (expense):		
Interest expense	(74,756)	
Interest income	<u>7,116</u>	
Total non-operating revenue (expense), net		<u>(67,640)</u>
Change in net position		34,482
Net position, beginning of year		<u>1,955,341</u>
Net position, end of year	\$	<u><u>1,989,823</u></u>

See accompanying notes to financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Statement of Cash Flows

For the Year Ended December 31, 2025

Cash flows from operating activities:

Receipts from customers	\$ 510,857	
Payments to suppliers for goods and services	<u>(270,524)</u>	
Net cash provided by operating activities		240,333

Cash flows from non-capital financing activities:

Decrease in due to other governmental entities	2,373	
Net receipts from meter deposits	<u>2,678</u>	
Net cash provided by non-capital financing activities		5,051

Cash flows from capital and related financing activities:

Principal and interest payments of bonds payable	<u>(127,000)</u>	
Net cash used by capital and related financing activities		(127,000)

Cash flows from investing activities:

Interest received	<u>7,116</u>	
Net cash provided by investing activities		<u>7,116</u>

Net increase in cash and cash equivalents	125,500
---	---------

Cash and cash equivalents at beginning of year	<u>685,943</u>
--	----------------

Cash and cash equivalents at end of year	\$ <u><u>811,443</u></u>
--	--------------------------

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 102,122	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	101,212	
Decrease in revenue receivable - charges for services	3,852	
Increase in prepaid expenses	(858)	
Decrease in unearned revenues	(7,346)	
Increase in accounts payable	12,286	
Increase in other liabilities	<u>29,065</u>	
Net cash provided by operating activities		\$ <u><u>240,333</u></u>

Cash reconciliation:

Cash - unrestricted	\$ 536,353	
Cash - restricted	<u>275,090</u>	

Cash at end of year	\$ <u><u>811,443</u></u>
---------------------	--------------------------

See accompanying notes to financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to the Financial Statements

December 31, 2025

(1) Nature of Business

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. Four commissioners are appointed by the St. Tammany Parish Council and one is appointed by the Parish President. The Board 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 bills and collects sewer service charges on behalf of St. Tammany Parish Sewerage Districts No 1 and No. 4 and remit those amounts periodically. At December 31, 2025, the District had approximately 830 customers.

(2) Summary of Significant Accounting Policies

(a) 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.

(b) 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 is financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

(c) 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.

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.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to the Financial Statements

December 31, 2025

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, 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. If applicable, 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 water service revenues, 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.

(d) Financial Statements

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, states 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 - RSI
- 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. Other RSI, if applicable

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

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to the Financial Statements

December 31, 2025

(e) Cash and Cash Equivalents and Investments

Cash includes 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 of America. 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.

(f) Revenue Receivable - Charges for Services

The District bills customers on the last day of the month in which services were provided. Management evaluates outstanding customer accounts periodically and records an allowance for credit losses based on historical collection experience, current conditions, and other relevant factors. At December 31, 2025, management determined that no allowance for credit losses was necessary.

(g) 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:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Infrastructure – water system	20-35 years
Machinery and equipment	15-20 years

(h) 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.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to the Financial Statements

December 31, 2025

(i) 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.

(3) Cash and Cash Equivalents and Investments

At December 31, 2025, cash and cash equivalents for both current and restricted demand deposits consisted of the following:

Unrestricted	\$ 536,353
Restricted for debt service	180,107
Restricted for meter deposits	<u>94,983</u>
Cash on hand and in bank	<u>\$ 811,443</u>

Restricted cash includes amounts required to be maintained under the provisions of the District's water revenue bond indenture for future debt service requirements, as well as amounts held for customer meter deposits.

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, 2025 the District's bank balances were fully insured and collateralized and thus not subject to any custodial credit risk.

(4) Revenue Receivable – Charges for Services

The District had the following accounts receivable categorized by coverage area for the year ended December 31, 2025:

Riverwood	\$ 22,970
Covington Country Club	<u>18,054</u>
Total	<u>\$ 41,024</u>

(5) Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2025 for the District are as follows:

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025
Capital assets not being depreciated:				
Land	\$ 408,564	-	-	<u>408,564</u>
Total capital assets not being depreciated	<u>408,564</u>	-	-	<u>408,564</u>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to the Financial Statements

December 31, 2025

Capital assets being depreciated:

Well	3,327,547	-	-	3,327,547
Building	735	-	-	735
Land improvements	11,874	-	-	11,874
Water system improvements	413,132	-	-	413,132
Water lines	134,627	-	-	134,627
Water storage	139,291	-	-	139,291
Machinery and equipment	88,015	-	-	88,015
Control system	33,792	-	-	33,792
Improvements	<u>19,716</u>	<u>-</u>	<u>-</u>	<u>19,716</u>

Total capital assets being depreciated

<u>4,168,729</u>	<u>-</u>	<u>-</u>	<u>4,168,729</u>
------------------	----------	----------	------------------

Less accumulated depreciation for:

Well	(495,664)	(84,852)	-	(580,516)
Building	(735)	-	-	(735)
Water system improvements	(343,899)	(12,052)	-	(355,951)
Water lines	(133,547)	(47)	-	(133,594)
Water storage	(139,296)	-	-	(139,296)
Machinery and equipment	(61,293)	(2,047)	-	(63,340)
Control system	(10,559)	(1,689)	-	(12,248)
Improvements	<u>(18,041)</u>	<u>(525)</u>	<u>-</u>	<u>(18,566)</u>

Total accumulated depreciation

<u>(1,203,034)</u>	<u>(101,212)</u>	<u>-</u>	<u>(1,304,246)</u>
--------------------	------------------	----------	--------------------

Total capital assets being depreciated, net

<u>2,965,695</u>	<u>(101,212)</u>	<u>-</u>	<u>2,864,483</u>
------------------	------------------	----------	------------------

Capital assets, net

<u>\$ 3,374,259</u>	<u>(101,212)</u>	<u>-</u>	<u>3,273,047</u>
---------------------	------------------	----------	------------------

The District recorded \$101,212 in depreciation expense on its capital assets for the year ended December 31, 2025.

(6) Long Term Debt

The following is a summary of bond transactions of the District for the year ended December 31, 2025:

Bonds payable at January 1 st	\$ 1,785,000
Bonds issued	-
Bonds retired	<u>(50,000)</u>
Bonds payable at December 31 st	<u>\$ 1,735,000</u>

The following is a description of the bonds of the District for the year ended December 31, 2025:

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.	\$ 1,735,000
---	--------------

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**Notes to the Financial Statements****December 31, 2025**

Less: current maturities	(50,000)
Plus: bond premiums	<u>47,133</u>
Non-current portion of bonds payable	<u><u>\$ 1,732,133</u></u>

The revenue bonds are secured by a pledge of the net revenues of the District's water system.

Principal and interest payments due on the revenue bonds outstanding as of December 31, 2025 are as follows:

Year Ending December 31	<u>Water Revenue Bonds</u>		
	Principal	Interest	Total
2026	\$ 50,000	75,500	125,500
2027	50,000	74,000	124,000
2028	55,000	71,500	126,500
2029	60,000	68,750	128,750
2030	60,000	65,750	125,750
2031-2035	355,000	280,250	635,200
2036-2040	440,000	188,000	628,000
2041-2045	545,000	91,000	636,000
2046	<u>120,000</u>	<u>4,800</u>	<u>124,800</u>
Total	<u>\$ 1,735,000</u>	<u>919,550</u>	<u>2,654,550</u>

(7) Net Position

Net Position for the year ended December 31, 2025 consisted of the following:

Net investment for capital assets	\$ 1,490,914
Restricted for debt service requirements	141,265
Unrestricted	<u>357,644</u>
Total	<u><u>\$ 1,989,823</u></u>

(8) Board Members' Per Diem Payments

There were no fees paid to board members during the year ended December 31, 2025, other than those disclosed in the schedule of compensation paid to board members (see page 18).

(9) Due to Other Governmental Entities

The District serves as the billing and collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4. Sewer service charges are billed and collected on behalf of these sewerage districts and are remitted periodically. Amounts collected but not yet remitted at December 31, 2025 consisted of the following:

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to the Financial Statements

December 31, 2025

<u>Due to</u>	<u>Amount</u>
St. Tammany Parish Sewerage District No. 1	\$ 119,718
St. Tammany Parish Sewerage District No. 4	<u>59,004</u>
Total	<u>\$ 178,722</u>

(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 is sufficient to cover the risks of loss to which it is exposed. No settlements exceeded insurance coverage during the past three years.

(11) Subsequent Events

The District has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2026, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

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

For the Year Ended December 31, 2025

Agency Head Name: Brian Swindell

<u>Purpose</u>	<u>Amount</u>
Compensation	\$ <u><u>-</u></u>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Schedule of Compensation Paid to Board Members

For the Year Ended December 31, 2025

<u>Board Member</u>	<u>Amount</u>
Brian Swindell	\$ -
Michael O'Connell	-
Michael Boyd	-
Zachary Smith	-
Steve Lane	-
	\$ -



American Institute of Certified Public Accountants
Society of Louisiana CPAs

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

Howard P. Vollenweider, CPA
Jessica S. Benjamin
Racheal D. Alvey
Michael J. Caparotta, CPA

Angela M. Warden

Michael R. Choate, CPA
Kent A. Berger, CPA

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of St. Tammany Parish Waterworks District No. 3 (the District), as of and for the year ended December 31, 2025, 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 25, 2026.

Report on 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-1 and 2025-2 to be material weaknesses.

Covington
205 E. Lockwood St.
Covington, LA 70433
Phone (985) 727-9924
Fax (985) 727-9975

Baton Rouge
2915 S. Sherwood Forest Blvd.,
Suite B
Baton Rouge, LA 70816
Phone (225) 292-7434
Fax (225) 293-3651

West Monroe
4900 Cypress St. #15
West Monroe, LA 71291
Phone (318) 397-2472

New Orleans
525 St Charles Ave,
New Orleans, LA 70130
Phone (504) 299-3434

Report on 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 District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Griffin & Furman, LLC

Covington, Louisiana

June 25, 2026

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Schedule of Findings and Management's Corrective Action Plan

For the Year Ended December 31, 2025

Summary of Auditors' Results:

Financial Statements:

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness identified?	Yes (2025-1 & 2025-2)
b. Significant deficiencies identified?	No
3. Compliance and other matters	No
4. Management letter comment provided?	No

Finding 2025-1:

Criteria:

Management is responsible for establishing internal controls over financial reporting that prevent material misstatements of its financial statements.

Condition & Cause:

The District maintains two suspense accounts which are not reconciled to the specific activity that is flowing through these accounts. One suspense account is used to record monthly differences between the deposits recorded on the bank statement (which is what is used to record deposits on the general ledger) and the deposits posted in the utility system. The other suspense account represents deposits by customers that exceed their balances due (unapplied payments).

Effect:

Based on the lack of reconciliations, it is reasonably possible that misstatements could go undetected for extended periods of time and result in a material misstatement of the District's financial statements.

Recommendation:

We recommend the District fully integrate the activity of the utility system into its monthly accounting entries thus reducing or even possibly eliminating the need for suspense accounts. This would also record and balance accounts receivable monthly rather than recording it as a year end adjustment.

Management Corrective Action:

Review necessity for suspense account with accountant and auditor. Develop a plan to eliminate the use of the suspense account for fiscal 2026.

Finding 2025-2:

Criteria:

Management is responsible for establishing internal controls over financial reporting that prevent material misstatements of its financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Schedule of Findings and Management's Corrective Action Plan

For the Year Ended December 31, 2025

Condition & Cause:

The deposit register is not being updated to remove customers who have had their deposits refunded or applied to their balance. The deposit register reflected approximately \$134,000 in customer deposits, while the general ledger reflected a liability of approximately \$100,000. After further inquiry, we were provided a refund report for 2002 to 2025 that when subtracted from the customer deposit register came within approximately \$12,000 of the liability per the general ledger.

Effect:

Based on the lack of reconciliations, it is reasonably possible that misstatements could go undetected for extended periods of time and result in a material misstatement of the District's financial statements.

Recommendation:

We recommend that the accounting procedures are reviewed for this area and refined such that the customer deposit liabilities per the utility system are balanced to the customer deposit liabilities per the general ledger on a recurring basis.

Management Corrective Action:

Establish a procedure to balance the customer deposit liabilities per the utility system to the customer deposit liabilities per the general ledger on a recurring basis for fiscal 2026.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Status of Prior Year Findings

For the Year Ended December 31, 2025

Finding 2024-1:

Criteria:

Management is responsible for establishing internal controls over financial reporting that prevent material misstatements of its financial statements.

Condition & Cause:

The District maintains two suspense accounts which are not reconciled to the specific activity that is flowing through these accounts. One suspense account is used to record monthly differences between the deposits recorded on the bank statement (which is what is used to record deposits on the general ledger) and the deposits posted in the utility system. The other suspense account represents deposits by customers that exceed their balances due (unapplied payments).

Effect:

Based on the lack of reconciliations, it is reasonably possible that misstatements could go undetected for extended periods of time and result in a material misstatement of the District's financial statements.

Recommendation:

We recommend that the District implement balancing procedures for these two suspense accounts.

Management Corrective Action:

The District has consulted with their contract accountant who will implement balancing procedures for these suspense accounts.

Status:

Unresolved. See current finding 2025-1.

Finding 2024-2:

Criteria:

Management is responsible for establishing internal controls over financial reporting that prevent material misstatements of its financial statements.

Condition & Cause:

The deposit register is not being updated to remove customers who have had their deposits refunded or applied to their balance. The deposit register reflected approximately \$130,000 in customer deposits, while the general ledger reflected a liability of approximately \$97,000. After further inquiry, we were provided a refund report for 2002 to 2024 that when subtracted from the customer deposit register came within approximately \$10,000 of the liability per the general ledger.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Status of Prior Year Findings

For the Year Ended December 31, 2025

Effect:

Based on the lack of reconciliations, it is reasonably possible that misstatements could go undetected for extended periods of time and result in a material misstatement of the District's financial statements.

Recommendation:

We recommend that the accounting procedures are reviewed for this area and refined such that the customer deposit liabilities per the utility system are balanced to the customer deposit liabilities per the general ledger on a recurring basis.

Management Corrective Action:

The District has consulted with their contract accountant who will implement balancing procedures for the deposit account.

Status:

Unresolved. See current year finding 2025-2



American Institute of Certified Public Accountants
Society of Louisiana CPAs

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

Howard P. Vollenweider, CPA
Jessica S. Benjamin
Racheal D. Alvey
Michael J. Caparotta, CPA

Angela M. Warden

Michael R. Choate, CPA
Kent A. Berger, CPA

Independent Accountant's Report
On Applying Agreed-Upon Procedures
For The Year Ended December 31, 2025

To the Board of Commissioners of St. Tammany Parish Waterworks District No. 3 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025, through December 31, 2025. St. Tammany Parish Waterworks District No. 3's management is responsible for those C/C areas identified in the SAUPs.

St. Tammany Parish Waterworks District No. 3 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 in LLA's SAUPs for the fiscal period January 1, 2025 through December 31, 2025. Additionally, 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 the 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:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.

Covington
205 E. Lockwood St.
Covington, LA 70433
Phone (985) 727-9924
Fax (985) 727-9975

Baton Rouge
2915 S. Sherwood Forest Blvd.,
Suite B
Baton Rouge, LA 70816
Phone (225) 292-7434
Fax (225) 293-3651

West Monroe
4900 Cypress St. #15
West Monroe, LA 71291
Phone (318) 397-2472

New Orleans
525 St Charles Ave,
New Orleans, LA 70130
Phone (504) 299-3434

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: *The District did not have policies for procedures ii, iv, vi, ix, x, xi, and xii. Procedures i, v, vii, and viii were not applicable, and procedure iii performed without exception.*

2) **Board or Finance Committee**

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: *The District only met for 9 of 12 months during fiscal year ending 2025, which was less frequently than required.*

- ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Results: *The District did not have any discussion of budget to actual comparisons in the monthly board minutes.*

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: *Not applicable. The District is a proprietary fund and had a positive net position at the end of the prior fiscal year.*

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: *The District did not have any discussion regarding the progress of resolving audit findings per the board minutes.*

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Results: *Procedure performed without exception.*

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

Results: *Procedure performed without exception.*

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: *There was one uncleared check that was outstanding for more than 12 months from the statement closing date, Management has not researched this outstanding item.*

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: *Procedure performed without exception.*

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: *Procedures performed without exception.*

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

Results: *Procedure performed without exception.*

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
-

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- v. Trace the actual deposit per the bank statement to the general ledger.

Results: *Procedures performed without exception.*

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

- A. 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).

Results: *Procedure performed without exception.*

- B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. 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;
 - iv. 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; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Results: *Procedures performed without exception.*

- C. For each location selected under procedure #5A 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
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

Results: *Procedures performed without exception.*

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required
-

number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: *Procedure performed without exception.*

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.

Results: *Not applicable. The District did not have any credit, debit, fuel, or purchase cards.*

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

- I. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., itemized receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
- II. Observe that finance charges and late fees were not assessed on the selected statements.

Results: *Not applicable. The District did not have any credit, debit, fuel, or purchase cards.*

- C. Using the monthly statements or combined statements selected under procedure #6B 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 (e.g., each card should have 10 transactions subject to inspection). 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: *Not applicable. The District did not have any credit, debit, fuel, or purchase cards.*

- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Results: *Not applicable. The District did not have any credit, debit, fuel, or purchase cards.*

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana (doa.la.gov/doa/ost/ppm-49-travel-guide/) or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: *Not applicable. The District did not have any travel and travel related expense reimbursements during the fiscal period.*

8) Contracts

- A. 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. Alternatively, 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
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. 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.

Results: *Not applicable. There were no contracts for professional services, materials and supplies, leases, or construction activities that were initiated or renewed during the fiscal year.*

9) Payroll and Personnel

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

Results: *Not applicable. The District does not have any employees.*

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Results: *Not applicable. The District does not have any employees.*

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

Results: *Not applicable. The District does not have any employees.*

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums) have been paid, and any associated forms have been filed, by required deadlines.

Results: *Not applicable. The District does not have any employees.*

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

Results: *The District's board members did not complete any ethics training in 2025.*

- b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: *Not applicable. The District does not have an ethics policy.*

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: *The District does not have an ethics designee.*

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Results: *Procedure performed without exception.*

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: *Procedure performed without exception.*

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Results: *Not applicable – there were no misappropriations of public funds and assets during the fiscal period.*

- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: *Procedure performed without exception.*

13) Information Technology Disaster Recovery/Business Continuity

Perform the following 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 there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.

Results: *We performed the procedure and discussed the results with management.*

- B. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: *We performed the procedure and discussed the results with management.*

- 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 current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: *We performed the procedure and discussed the results with management.*

- D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: *We performed the procedure and discussed the results with management.*

- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency’s information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Results: *We performed the procedure and discussed the results with management.*

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Results: *The District's board members did not have any sexual harassment training in 2025.*

- B. 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).

Results: *The District has not posted its sexual harassment policy and complaint procedure on its website.*

- C. 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 the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Results: *The District did not prepare an annual sexual harassment report.*

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 in the SAUPs. 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 procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, 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 LLA as a public document.

Griffin & Furman, LLC

Covington, Louisiana

June 25, 2026

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Schedule of Findings

For the Year Ended December 31, 2025

2025-1 – Written Policies and Procedures

Finding: The District does not have written policies and procedures addressing purchasing, receipts/collections, contracting, ethics, debt service, information technology disaster recovery/business continuity, and prevention of sexual harassment.

Recommendation: We recommend the District adopt formal policies for the areas above.

2025-2 – Board or Finance Committee

Finding: The District held board meetings in only 9 of the 12 months during fiscal year 2025, the minutes did not reference monthly budget-to-actual comparisons, and the District did not provide proof that the Board received written updates on the audit findings.

Recommendation: We recommend the Board meet at the frequency required by its enabling legislation, review budget-to-actual information as required by the SAUP procedures, and document its review of the status of outstanding audit findings until resolved.

2025-3 – Bank Reconciliations

Finding: There was one uncleared check outstanding for more than 12 months from the statement closing date. Management had not documented research of this outstanding item.

Recommendation: We recommend the District research all outstanding bank reconciling items greater than 12 months from the closing date.

2025-4 – Ethics

Finding: The District's board members did not complete the required ethics training during calendar year 2025, and the District has not appointed an ethics designee as required by R.S. 42:1170.

Recommendation: We recommend the District's board members complete the required ethics training, and that the District appoint an ethics designee as required by R.S. 42:1170.

2025-5 – Prevention of Sexual Harassment

Finding: The District's board members did not complete the required sexual harassment training during calendar year 2025, the District has not posted its sexual harassment policy and complaint procedure on its website, and the District did not prepare the annual sexual harassment report required by R.S. 42:344.

Recommendation: We recommend the District's board members complete the required sexual harassment training, the District post its sexual harassment policy and complaint procedures on its website, and to prepare the annual sexual harassment report required by R.S. 42:344.
