

**ST. TAMMANY PARISH
WATERWORKS DISTRICT NO. 3
Covington, Louisiana**

Financial Statements
and
Independent Accountant's Review Report

December 31, 2017



Contents

Independent Accountant's Review Report	1 - 2
---	--------------

Financial Statements

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 - 14

Other Supplementary Information

Schedule of Compensation, Benefits, and Other Payments to Agency Head	16
--	----

Independent Accountant's Report on Applying Agreed-Upon Procedures	17 - 20
---	----------------

Louisiana Attestation Questionnaire	21 - 23
--	----------------

Independent Accountant's Review Report

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

We have reviewed the accompanying statement of net position of St. Tammany Parish Waterworks District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

In accordance with standards established by the American Institute of Certified Public Accountants, the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated June 26, 2018, on the results of our agreed-upon procedures.

Other Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The management's discussion and analysis, 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 the of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content.

Other Supplementary Information

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. The schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), on page 16, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This supplementary information has been subjected to the review procedures applied in our review of the financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.



A Professional Accounting Corporation

Covington, LA
June 26, 2018

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Statement of Net Position
December 31, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 569,558
Revenues Receivable - Charges for Services	39,824
Prepaid Expenses	22,382
Total Current Assets	<u>631,764</u>
Restricted Assets	
Cash and Cash Equivalents	
Restricted for Construction	961,692
Restricted for Debt Service	181,393
Restricted for Meter Deposits	63,278
Total Restricted Assets	<u>1,206,363</u>
Non-Current Assets	
Property, Plant, and Equipment (Net of Accumulated Depreciation)	<u>2,806,168</u>
Total Non-Current Assets	<u>2,806,168</u>
Total Assets	<u>4,644,295</u>
Liabilities	
Current Liabilities (Payable from Unrestricted Assets)	
Accounts Payable	11,482
Due to Other Governmental Entities	295,242
Total Current Liabilities (Payable from Unrestricted Assets)	<u>306,724</u>
Current Liabilities (Payable from Restricted Assets)	
Accrued Bond Interest	35,292
Meter Deposits	63,732
Current Maturities of Bonds Payable	40,000
Total Current Liabilities (Payable from Restricted Assets)	<u>139,024</u>
Long-Term Debt, Net of Current Maturities	
Revenue Bonds Payable	<u>2,125,086</u>
Total Long-Term Debt	<u>2,125,086</u>
Total Liabilities	<u>2,570,834</u>
Net Position	
Net Investment in Capital Assets	1,642,774
Restricted	105,647
Unrestricted	325,040
Total Net Position	<u>\$ 2,073,461</u>

See accompanying notes and independent accountant's review report.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2017

Operating Revenue	
Charges for Services	\$ 410,733
Administrative and Late Fees	<u>6,717</u>
Total Operating Revenue	<u>417,450</u>
Operating Expenses	
Bank Charges	100
Depreciation	15,566
Dues and Subscriptions	22
Engineering Fees	30,981
Insurance	9,447
Legal and Professional Services	27,223
Licenses and Permits	11,976
Office Supplies and Expenses	262
Postage and Delivery	2,122
Repairs and Maintenance	95,363
Utilities and Telephone	<u>18,593</u>
Total Operating Expenses	<u>211,655</u>
Operating Income	<u>205,795</u>
Nonoperating Revenue (Expenses)	
Interest Expense	(81,979)
Interest Income	<u>6,401</u>
Total Nonoperating Revenue (Expenses)	<u>(75,578)</u>
Change in Net Position	130,217
Net Position, Beginning of Year	<u>1,943,244</u>
Net Position, End of Year	<u><u>\$ 2,073,461</u></u>

See accompanying notes and independent accountant's review report.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 408,725
Cash Payments to Suppliers for Goods and Services	<u>(247,235)</u>
Net Cash Provided by Operating Activities	<u>161,490</u>
Cash Flows from Non-Capital Financing Activities	
Increase in Due from Other Governmental Entities	44,878
Proceeds from Certificate of Deposits	230,387
Net Receipts from Meter Deposits	<u>6,575</u>
Net Cash Provided by Non-Capital Financing Activities	<u>281,840</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(1,189,455)
Principal and Interest Payments of Bonds Payable	<u>(128,012)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,317,467)</u>
Cash Flows from Investing Activities	
Interest Received	<u>6,401</u>
Net Cash Provided by Investing Activities	<u>6,401</u>
Decrease in Cash and Cash Equivalents	(867,736)
Cash and Cash Equivalents, Beginning of Year	<u>2,643,657</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,775,921</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 205,795
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	15,566
Increase in Receivables	(2,844)
Increase in Prepaid Expenses	(16,009)
Decrease in Accounts Payable	(35,137)
Decrease in Unearned Revenue	<u>(5,881)</u>
Net Cash Provided by Operating Activities	<u>\$ 161,490</u>

See accompanying notes and independent accountant's review report.

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 (LRS) 33:3881. The District is governed by a four-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, 2017, the District had approximately 823 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.

See independent accountant's review report.

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.

See independent accountant's review report.

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:

1. Management's discussion and analysis (MD&A). (The District's management has not presented MD&A that the GASB has determined to be required to supplement, although not required to be part of, the basic financial statements.)
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, 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 LRS 39:1225 provides that the amount of security shall at all times be equal to 100% of the amount on deposit to the credit of 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, 2017. 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.

See independent accountant's review report.

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 will be 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:

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

New Accounting Pronouncements

The GASB issued Statement No. 87, *Leases*, in June 2017. 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. This Statement will be effective for the District for the fiscal year ending December 31, 2020.

See independent accountant's review report.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Covington, Louisiana

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

At December 31, 2017, cash and cash equivalents for both current and restricted demand deposits consisted of the following:

Unrestricted	\$ 569,558
Restricted	<u>1,206,363</u>
Total	<u><u>\$ 1,775,921</u></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, 2017, the District's deposit bank balances of \$1,775,921 were secured by federal deposit insurance and pledged securities held by the District's fiscal agent bank in the District's name.

Note 3. Restricted Assets

At December 31, 2017, restricted assets consisted of the following:

Restricted for:	
Construction	\$ 961,692
Debt Service	181,393
Meter Deposits	<u>63,278</u>
Total	<u><u>\$ 1,206,363</u></u>

See independent accountant's review report.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Covington, Louisiana

Notes to Financial Statements

Note 4. Capital Assets

Capital assets activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 438,890	\$ -	\$ -	\$ 438,890
Construction in Progress	974,505	1,189,454	-	2,163,959
Total Capital Assets Not Being Depreciated	1,413,395	1,189,454	-	2,602,849
Capital Assets Being Depreciated				
Building	735	-	-	735
Water Lines	134,327	-	-	134,327
Water System Improvements	446,924	-	-	446,924
Machinery and Equipment	64,817	-	-	64,817
Water Storage Improvements	139,292 9,194	- -	- -	139,292 9,194
Total Capital Assets Being Depreciated	795,289	-	-	795,289
Less Accumulated Depreciation for:				
Building	(735)	-	-	(735)
Water Lines	(133,013)	(93)	-	(133,106)
Water System Improvements	(247,331)	(13,356)	-	(260,687)
Machinery and Equipment	(51,612)	(807)	-	(52,419)
Water Storage Improvements	(138,751) (4,962)	(541) (769)	- -	(139,292) (5,731)
Total Accumulated Depreciation	(576,404)	(15,566)	-	(591,970)
Total Capital Assets Being Depreciated, Net	218,885	(15,566)	-	203,319
Capital Assets, Net	\$ 1,632,280	\$ 1,173,888	\$ -	\$ 2,806,168

The District recorded \$15,566 in depreciation expense on its capital assets for the year ended December 31, 2017.

See independent accountant's review report.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Covington, Louisiana

Notes to Financial Statements

Note 5. Long-Term Debt

The following is a summary of bond transactions of the District for the year ended December 31, 2017:

Revenue Bonds	
Bonds Payable at January 1st	\$ 2,145,000
Bonds Issued	-
Bonds Retired	<u>(45,000)</u>
Bonds Payable at December 31st	<u>\$ 2,100,000</u>

The following is a description of the bonds of the District for the year ended December 31, 2017:

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 though August 1, 2046, with interest at 2.0% to 5.0%, collateralized by water revenues.	<u>\$ 2,100,000</u>
Total Bonds Payable	2,100,000
Less: Current Maturities	(40,000)
Plus: Bond Premiums	<u>65,086</u>
Non-Current Portion of Bonds Payable	<u>\$ 2,125,086</u>

The annual requirements to amortize the revenue bonds outstanding as of December 31, 2017, including interest payments, are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 40,000	\$ 84,700	\$ 124,700
2019	45,000	83,900	128,900
2020	45,000	83,000	128,000
2021	45,000	82,100	127,100
2022	45,000	81,200	126,200
2023-2027	245,000	384,850	629,850
2028-2032	305,000	328,250	633,250
2033-2037	390,000	244,000	634,000
2038-2042	480,000	151,200	631,200
2043-2046	460,000	46,600	506,600
Total	<u>\$ 2,100,000</u>	<u>\$ 1,569,800</u>	<u>\$ 3,669,800</u>

See independent accountant's review report.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Covington, Louisiana

Notes to Financial Statements

Note 6. Net Position

Net position for the year ended December 31, 2017, consisted of the following:

Net Investment in Capital Assets	\$ 1,642,774
Restricted	105,647
Unrestricted	<u>325,040</u>
Total	<u>\$ 2,073,461</u>

Note 7. Board Members' Per Diem Payments

There were no fees paid to board members during the year ended December 31, 2017.

Note 8. Revenues Receivable - Charges for Services

The District had the following accounts receivable categorized by coverage area for the year ended December 31, 2017:

Riverwood	\$ 19,213
Covington Country Club	<u>20,611</u>
Total	<u>\$ 39,824</u>

Note 9. Due to Other Governmental Agencies

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, 2017, were as follows:

Due To	Amount
St. Tammany Parish Sewerage District No. 1	\$ 266,437
St. Tammany Parish Sewerage District No. 4	<u>28,805</u>
Total	<u>\$ 295,242</u>

See independent accountant's review report.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Covington, Louisiana

Notes to Financial Statements

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.

See independent accountant's review report.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2017

Agency Head
 Brent Cordell, 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	\$1,026
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent accountant's review report.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of St. Tammany Parish Waterworks District No. 3 (the District) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the year ended December 31, 2017, included in the accompanying *Louisiana Attestation Questionnaire*. Management of the District is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated results are as follows:

Public Bid Law

1. Obtain documentation for all expenditures made during the year for material and supplies exceeding \$30,000, and public works exceeding \$154,450. Compare the documentation for these expenditures to Louisiana Revised Statute (R.S.) 39:1551-39:1775 (the state procurement code) or R.S. 38:2211-2296 (the public bid law), whichever is applicable; and report whether the expenditures were made in accordance with these laws.

Results: A review was made of all disbursements for the year. There were no disbursements for materials and supplies that exceeded \$30,000. There were disbursements made for public works exceeding \$154,450 during the year that were made in accordance with R.S. 38:2211-2296.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the ethics law).

Results: Management provided us with the required list including the noted information.

3. Obtain a list of all employees paid during the fiscal year.

Results: The District has no employees.

4. Report whether any employees' names appear on both lists obtained in Procedures 2 and 3.

Results: Not applicable.

5. Obtain a list of all disbursements made during the year; and a list of outside business interests of board members, employees, and board members' and employees' immediate families. Report whether any vendors appear on both lists.

Results: No vendors appeared on both lists.

Budgeting

6. Obtain a copy of the legally adopted budget and all amendments.

Results: Proprietary funds are not required to adopt an annual budget. The District did not adopt a budget in 2017.

7. Trace documentation for the adoption of the budget and approval of any amendments to the minute book, and report whether there are any exceptions.

Results: Not applicable.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenditures. Report whether actual revenues failed to meet budgeted revenues by 5% or more, and whether actual expenditures exceeded budgeted amounts by 5% or more. (For agencies that must comply with the Licensing Agency Budget Act only, compare the expenditures of the final budget to actual expenditures, and report whether actual expenditures exceeded budgeted amounts by 10% or more per category or 5% or more in total).

Results: Not applicable.

Accounting and Reporting

9. Obtain the list of all disbursements made during the fiscal year. Randomly select six disbursements, and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation, and:

- a. Report whether the six disbursements agree to the amount and payee in the supporting documentation;
- b. Report whether the six disbursements are coded to the correct fund and general ledger account, and
- c. Report whether the six disbursements were approved in accordance with management's policies and procedures.

Results: We looked at supporting documentation for each of the six disbursements and agreed the amount and payee. The six disbursements were properly coded to the correct fund and general ledger account, and approved in accordance with management's policies and procedures.

Meetings

10. Obtain evidence from management to support that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 through 42:28 (the open meetings law); and report whether there are any exceptions.

Results: Meeting dates were not posted in advance in accordance with the open meetings law.

Management's Response: The District agrees with this finding and will post meeting dates in advance going forward.

Debt

11. Obtain bank deposit slips for the fiscal year, and scan the deposit slips in order to identify and report whether there are any deposits that appear to be proceeds of bank loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission, and report any exceptions.

Results: There were no proceeds from bank loans, bonds, or like indebtedness identified in our review of deposits.

Advances and Bonuses

12. Obtain the list of payroll disbursements and meeting minutes of the governing board, if applicable. Scan these documents to identify and report whether there are any payments or approval of payments to employees that may constitute bonuses, advances, or gifts.

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

State Audit Law

13. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

Results: The District provided for a timely report in accordance with R.S. 24:513.

14. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Results: Not applicable, as the District was in compliance with R.S. 24:513.

Prior Comments and Recommendations

15. Obtain and report management's representation as to whether any prior-year suggestions, recommendations, and/or comments have been resolved.

Results: Not applicable. No prior year suggestions, recommendations, and/or comments to review.

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Governmental Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's compliance with laws and regulations. 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.

This report is intended solely for the use of the management of St. Tammany Parish Waterworks District No.3 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 26, 2018

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Governmental Agencies)

Dear Chief Executive Officer:

Attached is the Louisiana Attestation Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of the review/attestation engagement of Louisiana governmental agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. Independently elected government officials should sign the document, in lieu of such a resolution.

The completed attestation questionnaire and a copy of the adoption instrument, if appropriate, must be given to the independent certified public accountant at the beginning of the engagement. The CPA will, during the course of his/her engagement, perform certain agreed-upon procedures to the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the CPA during the course of his/her engagement. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Governmental Agencies)

12/31/17 (Date Transmitted)
LAPORTE, APAC (CPA Firm Name)

(CPA Firm Address)
(City, State Zip)

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of _____ (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes No

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes No

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes No

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes No

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes No

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes No

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes No

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes No

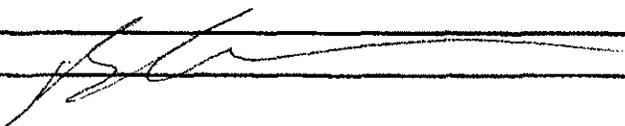
We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes No

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes No

The previous responses have been made to the best of our belief and knowledge.

_____	Secretary	_____	Date
_____	Treasurer	_____	Date
	President	3-20-18	Date

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, 2017 - December 31, 2017

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

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

Management of St. Tammany Parish Waterworks District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2017 through December 31, 2017, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the District and the Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

The procedures and associated results 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.

Results: The District's policies over contracting did not include the types of services requiring written contracts or legal review.

Management's Response: The District agrees with this finding and will review and change its policy to include the above recommendations.

- b. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (LRS) 42:1111-1121 and (2) system to monitor possible ethics violations.

Results: The District's policies over ethics did not include the prohibitions as defined in LRS 42:1111-1121 or a system to monitor possible ethics violations.

Management's Response: The District agrees with this finding and will review and change their policy to include the above recommendations.

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

Results: The District's policies over debt service did not include EMMA reporting requirements, debt reserve requirements, and debt service requirements.

Management's Response: The District agrees with this finding and will review and change their policy to include the above recommendations.

Board Oversight

- 1. Obtain and review all board minutes for the fiscal period, and:

- a) Report whether the minutes for each meeting referenced or included financial information about the entity's operations (e.g., monthly revenues and expenses, estimated annual net income/loss, cash flow projections), intended to demonstrate the Board's oversight and monitoring of public funds.

Results: Minutes for all six meetings referenced or included financial information about the entity's operations.

- b) 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: A reconciliation of billing receipts to joint bank account, reconciliation of customer billings to deposits, and/or customer account adjustments was not presented to the Board for at least one meeting during the fiscal period.

Management's Response: The District agrees with this finding and will change its policy to include all financial information listed above at each meeting.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: The minutes referenced or included non-budgetary financial information for at least one meeting during the fiscal period.

Open Meetings Law Compliance

1. Report whether a copy of the Open Meetings Law is posted at the location where the entity holds its meetings.

Results: A copy of the open meetings law is not posted at the location of the meetings.

Management's Response: The District agrees with this finding and will post a copy of the Open Meeting Law at each meeting.

2. Using the board minutes obtained under Board Oversight above, report whether the entity maintained written minutes for each board meeting and if each set of written meeting minutes included:
 - a. Date, time, and place of the meeting.
 - b. The members of the public body recorded as either present or absent.
 - c. The substance of all matters decided, and, at the request of any member, a record, by individual member, of any votes taken.
 - d. Whether the entity provided an opportunity for public comment prior to a vote being taken.
 - e. Report whether the entity held an executive session during the meeting. If so, report whether:
 - i. 2/3 of members present at the open meeting voted to enter an executive session.
 - ii. The reason for entering the executive session was included in the minutes.
 - iii. A notice of intent to move into Executive Session was attached to the written public notice of the meeting.
 - iv. Whether the written public notice contained a statement identifying any court, case number, or parties relative to any pending litigation to be considered at the meeting, and a statement identifying the parties involved and reasonable identifying the subject matter of any prospective litigation for which formal written demand has been made.
 - v. If the entity entered executive session to discuss the character, professional competence, or physical/mental health of a person, report whether the entity provided written notice to the individual at least 24 hours, exclusive of weekends and legal holidays, prior to the meeting.

Results: All six meeting minutes included the date of the meeting. Three of the six meeting minutes included the time. The other three did not include the time. None of the six meeting minutes included the place of the meeting. All meeting minutes included the member of the public body recorded as either present or absent and the substance of all matters decided. None of the meeting minutes referenced whether the District provided an opportunity for public comment prior to a vote being taken. There were no executive sessions held during any of the meetings.

Management's Response: The District agrees with these findings and will change their policy to include at each meeting the time and date of the meeting, the place of the meeting and a reference that the District provided an opportunity for public comment prior to taking a vote.

3. Report whether the minutes of each selected meeting were published in the official journal of the entity.

Results: Minutes were not published in the official journal of the entity.

Management's Response: The District agrees with this finding and will make sure all future minutes of meetings will be published in the official journal.

Debt Service

1. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: The District made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Public Bid law

1. Obtain a listing of entity construction-related disbursements from management. Obtain management's representation that the listing is complete.

Results: Management provided us a listing of entity construction-related disbursements and represented to us that the listing is complete.

2. Using the listing above, aggregate the disbursements by vendor, and select the five vendors (or all vendors if less than five) that were paid the most money during the fiscal period. Exclude vendor payments for professional service contracts and purchases on state contract.

Results: Only one vendor was provided in the listing from above. This one vendor was selected.

3. Compare total payments for each vendor to the thresholds set in the Louisiana Public Bid Law (R.S. 38:2211-2296) or Procurement Code (R.S. 39:1551-39:1755), if adopted.

Results: Total payments to the vendor are above the public works threshold set in the Louisiana Public Bid Law.

4. For each vendor that met the legal thresholds in #3 above, obtain supporting vendor documentation, compare to legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bid), and report whether purchases/payments were made in accordance with the Louisiana Public Bid Law or Procurement Code, if adopted.

Results: Purchases were made in accordance with the Louisiana Public Bid Law.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. 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.

This report is intended solely for the use of management of the St. Tammany Parish Waterworks District No. 3 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
June 26, 2018