

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

Annual Financial Statements

December 31, 2019



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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of St. Tammany Parish Water District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, which comprise the statement of net position as of December 31, 2019, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020 on our consideration of St. Tammany Parish Water District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

A Professional Accounting Corporation

Covington, LA
July 15, 2020

REQUIRED SUPPLEMENTARY INFORMATION

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

Management's Discussion and Analysis

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

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

Financial Analysis of the District

Summary Statements of Net Position

| | 2019 | 2018 |
|----------------------------------|---------------------|---------------------|
| Current and Restricted Assets | \$ 1,583,585 | \$ 1,710,368 |
| Capital Assets, Net | 3,099,223 | 3,060,407 |
| Total Assets | 4,682,808 | 4,770,775 |
| Current and Other Liabilities | 514,941 | 532,255 |
| Long-Term Debt Outstanding | 2,030,597 | 2,077,842 |
| Total Liabilities | 2,545,538 | 2,610,097 |
| Net Position | | |
| Net Investment in Capital Assets | 1,734,551 | 1,703,043 |
| Restricted | 105,030 | 104,382 |
| Unrestricted | 297,689 | 353,253 |
| Total Net Position | \$ 2,137,270 | \$ 2,160,678 |

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

Management's Discussion and Analysis

Summary Statements of Revenues and Expenses

| | 2019 | 2018 |
|---------------------------------------|---------------------------|-------------------------|
| Operating Revenue | \$ 418,134 | \$ 418,703 |
| Operating Expenses | <u>377,059</u> | <u>263,861</u> |
| Operating Income | 41,075 | 154,842 |
| Non-Operating Revenue (Expenses), Net | <u>(64,483)</u> | <u>(67,625)</u> |
| Change in Net Position | <u>\$ (23,408)</u> | <u>\$ 87,217</u> |

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2019, the District had \$3,099,223, net of accumulated depreciation, invested in a broad range of capital assets, including land, rights of way, plant and distribution system, and furniture and equipment. (See table below.)

| | 2019 | 2018 |
|----------------------------------|----------------------------|----------------------------|
| Land | \$ 438,891 | \$ 438,891 |
| Plant and Equipment | 3,369,434 | 3,251,931 |
| Less: Accumulated Depreciation | <u>(709,102)</u> | <u>(630,415)</u> |
| Total Capital Assets, Net | <u>\$ 3,099,223</u> | <u>\$ 3,060,407</u> |

Debt

The District had \$2,015,000 in bonds outstanding at December 31, 2019. A summary of this debt is shown in the table below:

| | 2019 | 2018 |
|---------------------|----------------------------|----------------------------|
| Water Revenue Bonds | <u>\$ 2,015,000</u> | <u>\$ 2,060,000</u> |
| Total Debt | <u>\$ 2,015,000</u> | <u>\$ 2,060,000</u> |

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Swindell, Board President, P.O. Box 1478, Covington, LA 70434.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Net Position
December 31, 2019

Assets

Current Assets

| | |
|---|--------------|
| Cash and Cash Equivalents | \$ 596,252 |
| Revenue Receivable - Charges for Services | 38,742 |
| Due from State Treasurer | 16,919 |
| Prepaid Expenses | <u>7,063</u> |

Total Current Assets 658,976

Restricted Assets

| | |
|-------------------------------|---------------|
| Cash and Cash Equivalents | |
| Restricted for Construction | 665,925 |
| Restricted for Debt Service | 185,268 |
| Restricted for Meter Deposits | <u>73,416</u> |

Total Restricted Assets 924,609

Capital Assets

| | |
|--------------------------|----------------|
| Plant and Equipment, Net | 2,660,332 |
| Land | <u>438,891</u> |

Total Capital Assets, Net 3,099,223

Total Assets 4,682,808

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

ST. TAMMANY PARISH WATER DISTRICT NO. 3
 COVINGTON, LOUISIANA
 Statement of Net Position (Continued)
 December 31, 2019

Liabilities

**Current Liabilities (Payable from
 Unrestricted Assets)**

| | |
|------------------------------------|----------------|
| Accounts Payable | 46,534 |
| Deferred Revenue | 17,556 |
| Due to Other Governmental Entities | <u>297,197</u> |

| | |
|--|----------------|
| Total Current Liabilities (Payable from Unrestricted Assets) | <u>361,287</u> |
|--|----------------|

**Current Liabilities (Payable from
 Restricted Assets)**

| | |
|-------------------------------------|---------------|
| Accrued Interest on Bonds | 34,583 |
| Meter Deposits | 74,071 |
| Current Maturities of Bonds Payable | <u>45,000</u> |

| | |
|--|----------------|
| Total Current Liabilities (Payable from Restricted Assets) | <u>153,654</u> |
|--|----------------|

Long-Term Debt, Net of Current Maturities

| | |
|-----------------------|------------------|
| Revenue Bonds Payable | <u>2,030,597</u> |
|-----------------------|------------------|

| | |
|-----------------------------|------------------|
| Total Long-Term Debt | <u>2,030,597</u> |
|-----------------------------|------------------|

| | |
|--------------------------|------------------|
| Total Liabilities | <u>2,545,538</u> |
|--------------------------|------------------|

Net Position

| | |
|----------------------------------|----------------|
| Net Investment in Capital Assets | 1,734,551 |
| Restricted | 105,030 |
| Unrestricted | <u>297,689</u> |

| | |
|---------------------------|---------------------|
| Total Net Position | <u>\$ 2,137,270</u> |
|---------------------------|---------------------|

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

ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Revenues and Expenses
For the Year Ended December 31, 2019

| | |
|---|--------------------|
| Operating Revenue | |
| Charges for Service | \$ 411,990 |
| Administrative and Late Fees | <u>6,144</u> |
| Total Operating Revenue | <u>418,134</u> |
| Operating Expenses | |
| Advertising | 331 |
| Bank Charges | 1,250 |
| Depreciation | 78,687 |
| Engineering Fees | 35,548 |
| Insurance | 9,717 |
| Legal and Professional Services | 36,905 |
| Licenses and Permits | 12,324 |
| Office Supplies and Expenses | 148 |
| Postage and Delivery | 2,221 |
| Repairs and Maintenance | 159,789 |
| Utilities and Telephone | 40,084 |
| Other Selling Expenses | <u>55</u> |
| Total Operating Expenses | <u>377,059</u> |
| Operating Income | <u>41,075</u> |
| Non-Operating Revenue (Expense) | |
| Interest Expense | (81,280) |
| Interest Income | <u>16,797</u> |
| Total Non-Operating Revenue (Expense), Net | <u>(64,483)</u> |
| Change in Net Position | <u>\$ (23,408)</u> |

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

ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Changes in Net Position
For the Year Ended December 31, 2019

| | |
|--|-----------------------------------|
| Net Position, Beginning of Year | \$ 2,160,678 |
| Change in Net Position | <u>(23,408)</u> |
| Net Position, End of Year | <u><u>\$ 2,137,270</u></u> |

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

ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Cash Flows
For the Year Ended December 31, 2019

| | |
|--|---------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 415,402 |
| Payments to Suppliers for Goods and Services | <u>(259,603)</u> |
| Net Cash Provided by Operating Activities | <u>155,799</u> |
| Cash Flows from Non-Capital Financing Activities | |
| Decrease in Due to Other Governmental Entities | (62,497) |
| Net Receipts from Meter Deposits | <u>5,731</u> |
| Net Cash Used in Non-Capital Financing Activities | <u>(56,766)</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Payments for Capital Acquisitions | (117,503) |
| Principal and Interest Payments of Bonds Payable | <u>(128,900)</u> |
| Net Cash Used in Capital and Related Financing Activities | <u>(246,403)</u> |
| Cash Flows from Investing Activities | |
| Decrease in Savings Balance | (16,919) |
| Interest Received | <u>16,797</u> |
| Net Cash Used in Investing Activities | <u>(122)</u> |
| Net Decrease in Cash and Cash Equivalents | (147,492) |
| Cash and Cash Equivalents, Beginning of Year | <u>1,668,353</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,520,861</u> |

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

ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2019

| Reconciliation of Net Operating Income to | |
|---|--------------------------|
| Net Cash Provided by Operating Activities | |
| Net Operating Income | \$ 41,075 |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation | 78,687 |
| Increase in Receivables | (3,705) |
| Increase in Prepaid Expenses | (85) |
| Increase in Accounts Payable | 38,854 |
| Increase in Unearned Revenue | 973 |
| | <hr/> |
| Net Cash Provided by Operating Activities | <u>\$ 155,799</u> |

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

**ST. TAMMANY PARISH WATER 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 five-member board of commissioners (the Board), who are residents of and own real estate in the District. The Board is appointed by the St. Tammany Parish Council and is responsible for providing water service to users within the boundaries of the District. The water comes from deep artesian wells, and it is distributed through a central water tower. The District is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4. At December 31, 2019, the District had approximately 816 customers.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

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

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

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

**ST. TAMMANY PARISH WATER 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).
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, 2019. Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of an account.

**ST. TAMMANY PARISH WATER 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, 2022.

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

At December 31, 2019, cash and cash equivalents for both current and restricted demand deposits consisted of the following:

| | |
|---------------------------------|----------------------------|
| Unrestricted | \$ 596,252 |
| Restricted | <u>924,609</u> |
| Cash on Hand and in Bank | <u>\$ 1,520,861</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, 2019, the District's deposit bank balances of \$1,521,630 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, 2019, restricted assets consisted of the following:

| | |
|--------------------------------|--------------------------|
| Restricted for Construction | \$ 665,925 |
| Restricted for Debt Service | 185,268 |
| Restricted for Meter Deposits | <u>73,416</u> |
| Total Restricted Assets | <u>\$ 924,609</u> |

Note 4. Revenues Receivable - Charges for Services

The District had the following accounts receivable categorized by coverage area for the year ended December 31, 2019:

| | |
|------------------------|-------------------------|
| Riverwood | \$ 18,178 |
| Covington Country Club | <u>20,564</u> |
| Total | <u>\$ 38,742</u> |

Note 5. Due from State Treasurer

The District holds a savings account with Whitney Bank. During October 2019, due to inactivity within the account, the account balance of \$16,919 was escheated to the Louisiana State Treasurer as unclaimed property. Subsequent to December 31, 2019, the District began the process of reclaiming the funds back from the State Treasurer.

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

Notes to Financial Statements

Note 6. Capital Assets

Capital assets activity for the year ended December 31, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|-------------|---------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 438,891 | \$ - | \$ - | \$ 438,891 |
| Construction in Progress | - | - | - | - |
| Total Capital Assets Not Being Depreciated | 438,891 | - | - | 438,891 |
| Capital Assets Being Depreciated | | | | |
| Well | 2,456,643 | 117,503 | - | 2,574,146 |
| Building | 735 | - | - | 735 |
| Water System Improvements | 413,132 | - | - | 413,132 |
| Water Lines | 134,627 | - | - | 134,627 |
| Water Storage | 139,291 | - | - | 139,291 |
| Machinery and Equipment | 53,995 | - | - | 53,995 |
| Control System Improvements | 33,792 19,716 | - - | - - | 33,792 19,716 |
| Total Capital Assets Being Depreciated | 3,251,931 | 117,503 | - | 3,369,434 |
| Less Accumulated Depreciation for: | | | | |
| Well | (23,622) | (62,990) | - | (86,612) |
| Building | (735) | - | - | (735) |
| Water System Improvements | (270,284) | (13,355) | - | (283,639) |
| Water Lines | (133,198) | (93) | - | (133,291) |
| Water Storage | (139,296) | - | - | (139,296) |
| Machinery and Equipment | (53,108) | (696) | - | (53,804) |
| Control System Improvements | (2,112) (8,060) | - (1,553) | - - | (2,112) (9,613) |
| Total Accumulated Depreciation | (630,415) | (78,687) | - | (709,102) |
| Total Capital Assets Being Depreciated, Net | 2,621,516 | 38,816 | - | 2,660,332 |
| Total Capital Assets, Net | \$ 3,060,407 | \$ 38,816 | \$ - | \$ 3,099,223 |

The District recorded \$78,687 in depreciation expense on its capital assets for the year ended December 31, 2019.

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

Notes to Financial Statements

Note 7. Long-Term Debt

The following is a summary of bond transactions of the District for the year ended December 31, 2019:

| Revenue Bonds | |
|--|-----------------------------------|
| Bonds Payable at January 1 st | \$ 2,060,000 |
| Bonds Issued | |
| Bonds Retired | <u>(45,000)</u> |
| Bonds Payable at December 31st | <u><u>\$ 2,015,000</u></u> |

The following is a description of the bonds of the District for the year ended December 31, 2019:

| Revenue Bonds | |
|--|-----------------------------------|
| \$2,145,000 Water Revenue Bonds dated July 20, 2016; due in annual principal payments of \$45,000 - \$120,000, plus semi-annual interest payments through August 1, 2046, with interest at 2.0% to 5.0%, collateralized by water revenues. | <u>\$ 2,015,000</u> |
| Total Bonds Payable | 2,015,000 |
| Less: Current Maturities | (45,000) |
| Plus: Bond Premiums | <u>60,597</u> |
| Non-Current Portion of Bonds Payable | <u><u>\$ 2,030,597</u></u> |

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

Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

Principal and interest payments due on the revenue bonds outstanding as of December 31, 2019 are as follows:

| Years Ending December 31, | Water Revenue Bonds | | |
|------------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2020 | \$ 45,000 | \$ 83,000 | \$ 128,000 |
| 2021 | 45,000 | 82,100 | 127,100 |
| 2022 | 45,000 | 81,200 | 126,200 |
| 2023 | 45,000 | 79,850 | 124,850 |
| 2024 | 50,000 | 78,500 | 128,500 |
| 2025 to 2029 | 265,000 | 366,750 | 631,750 |
| 2030 to 2034 | 335,000 | 297,000 | 632,000 |
| 2035 to 2039 | 425,000 | 206,600 | 631,600 |
| 2040 to 2044 | 525,000 | 112,000 | 637,000 |
| 2045 to 2046 | 235,000 | 14,200 | 249,200 |
| Total | \$ 2,015,000 | \$ 1,401,200 | \$ 3,416,200 |

Note 8. Net Position

Net position for the year ended December 31, 2019 consisted of the following:

| | |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | \$ 1,734,551 |
| Restricted | 105,030 |
| Unrestricted | <u>297,689</u> |
| Total | <u>\$ 2,137,270</u> |

Note 9. Board Members' Per Diem Payments

There were no fees paid to board members during the year ended December 31, 2019.

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

Notes to Financial Statements

Note 10. Due to Other Governmental Entities

The District is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4. Sewerage fees collected that had not been remitted to the sewerage districts at December 31, 2019 were as follows:

| Due To | Amount |
|--|--------------------------|
| St. Tammany Parish Sewerage District No. 1 | \$ 270,943 |
| St. Tammany Parish Sewerage District No. 4 | <u>26,254</u> |
| Total | <u>\$ 297,197</u> |

Note 11. Risk Management

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

Note 12. Subsequent Events

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

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2019

Agency Head
 Brian Swindell, President

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

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of St. Tammany Parish Water District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated July 15, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
July 15, 2020

**ST. TAMMANY PARISH WATER DISTRICT NO. 3
COVINGTON, LOUISIANA
Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Part I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Prior Year Findings Related to the Financial Statements

None.