

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

**Financial Statements with Supplementary Information**

**December 31, 2023**

**(With Independent Auditors' Report Thereon)**

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

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## **Independent Auditors' Report**

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

### **Opinion**

**We have audited the accompanying financial statements of the business-type activities, of St. Tammany Parish Waterworks District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2023 and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2023 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.**

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

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## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis is presented to supplement the basic financial statements. Such information is the responsibility of management and, although the information is not a part of the basic financial statements, it 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 managements inquiries regarding the methods of preparing the information and comparing for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head and schedule of compensation paid to board members are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head and schedule of compensation paid to board members are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Griffin & Furman, LLC*

June 10, 2024

# ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

## Management's Discussion and Analysis

December 31, 2023

### Overview of the Financial Statements

These financial statements consist of two sections: management's discussion and analysis (this section) and the basic financial statements (including the notes to the financial statements).

### Basic Financial Statements

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

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

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

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

### Financial Analysis of the District

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

	<u>2023</u>	Restated <u>2022</u>
Current and restricted assets	\$ 823,735	868,649
Capital assets, net of depreciation	<u>3,475,468</u>	<u>3,576,683</u>
<b>Total assets</b>	<b><u>\$ 4,299,203</u></b>	<b><u>4,445,332</u></b>
Current and other liabilities	\$ 541,849	534,111
Long-term liabilities	<u>1,836,621</u>	<u>1,888,865</u>
<b>Total liabilities</b>	<b><u>2,378,470</u></b>	<b><u>2,422,976</u></b>
<b>Net position:</b>		
Net investment in capital assets	1,588,847	1,642,818
Restricted	134,979	144,878
Unrestricted	<u>196,907</u>	<u>234,660</u>
<b>Total net position</b>	<b><u>1,920,733</u></b>	<b><u>2,022,356</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 4,299,203</u></b>	<b><u>4,445,332</u></b>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Management's Discussion and Analysis

December 31, 2023

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 490,610	418,161
Operating expenses	<u>(522,527)</u>	<u>(471,304)</u>
Operating income (loss)	(31,917)	(53,143)
Non-operating revenue (expense), net	<u>(69,706)</u>	<u>22,883</u>
Change in net position	<u>\$ (101,623)</u>	<u>(30,260)</u>

Capital Assets and Debt Administration:

Capital Assets

As of December 31, 2023, the District had \$3,475,468, 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.)

	<u>2023</u>	<u>2022</u>
Land	\$ 408,564	408,564
Plant and equipment	4,168,729	4,168,729
Less: accumulated depreciation	<u>(1,101,825)</u>	<u>(1,000,610)</u>
Total capital assets, net	<u>\$ 3,475,468</u>	<u>3,576,683</u>

Debt

The District had \$1,886,621 in bonds outstanding at December 31, 2023. A summary of this debt is shown below:

	<u>2023</u>	<u>2022</u>
Water revenue bonds	\$ 1,835,000	1,880,000
Bond premiums	<u>51,621</u>	<u>53,865</u>
Total debt	<u>\$ 1,886,621</u>	<u>1,933,865</u>

Contacting the District's Managements

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

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Statement of Net Position

December 31, 2023

Assets

Current assets:

Cash and cash equivalents	\$	506,856	
Revenue receivable - charges for services		41,022	
Prepaid insurance		9,464	
Prepaid expenses		<u>3,334</u>	

Total current assets 560,676

Restricted cash and cash equivalents:

Restricted for debt service		168,250	
Restricted for meter deposits		<u>94,809</u>	

Total restricted assets 263,059

Capital assets:

Plant and equipment, net of accumulated depreciation		3,066,904	
Land		<u>408,564</u>	

Total capital assets, net 3,475,468

Total assets \$ 4,299,203

See accompanying notes to financial statements.



ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Statement of Net Position (Continued)

December 31, 2023

Liabilities & Net Position

Current liabilities (payable from unrestricted assets):

Accounts payable	\$	8,187
Due to other governmental entities		<u>355,582</u>

Total current liabilities (payable from unrestricted assets)		363,769
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Current liabilities (payable from restricted assets):

Accrued interest on bonds		33,271
Meter deposits		94,809
Current maturities of revenue bonds payable		<u>50,000</u>

Total current liabilities (payable from restricted assets)		178,080
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Long-term debt, net of current maturities:

Revenue bonds payable		<u>1,836,621</u>
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Total long-term debt		<u>1,836,621</u>
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Total liabilities		2,378,470
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Net position:

Net investment in capital assets		1,588,847
Restricted		134,979
Unrestricted		<u>196,907</u>

Total net position		<u>1,920,733</u>
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Total liabilities and net position	\$	<u><u>4,299,203</u></u>
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See accompanying notes to financial statements.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Statement of Revenues, Expenses, & Changes in Net Position

For the Year Ended December 31, 2023

<b>Operating revenues:</b>		
Charges for service	\$ 482,405	
Administrative and late fees	<u>8,205</u>	
Total operating revenues		<u>490,610</u>
<b>Operating expenses:</b>		
Advertising	6,793	
Bank charges	1,359	
Depreciation	101,215	
Dues and subscriptions	621	
Engineering fees	31,746	
Insurance	12,443	
Legal and professional fees	32,537	
Licenses and permits	9,721	
Office supplies and expenses	2,594	
Postage and delivery	2,281	
Repairs and maintenance	281,011	
Utilities	<u>40,206</u>	
Total operating expenses		<u>522,527</u>
Operating loss		<u>(31,917)</u>
<b>Non-operating revenue (expense):</b>		
Interest expense	(77,606)	
Interest income	7,812	
Other income	<u>88</u>	
Total non-operating revenue (expense), net		<u>(69,706)</u>
Change in net position		(101,623)
Net position, beginning of year	1,995,254	
Prior period adjustment	<u>27,102</u>	
Net position, beginning of year, as restated		<u>2,022,356</u>
Net position, end of year		<u>\$ 1,920,733</u>

See accompanying notes to financial statements.

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

**Statement of Cash Flows**

**For the Year Ended December 31, 2023**

<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 455,327	
Payments to suppliers for goods and services	<u>(441,076)</u>	
Net cash provided by operating activities		14,251
<b>Cash flows from non-capital financing activities:</b>		
Increase in due to other governmental entities	18,376	
Net receipts from meter deposits	<u>3,850</u>	
Net cash provided by investing activities		22,226
<b>Cash flows from capital and related financing activities:</b>		
Principal and interest payments of bonds payable	<u>(124,850)</u>	
Net cash used by capital and related financing activities		(124,850)
<b>Cash flows from investing activities:</b>		
Increase in other income	27,190	
Interest received	<u>7,812</u>	
Net cash provided by investing activities		<u>35,002</u>
Net decrease in cash and cash equivalents		(53,371)
Cash and cash equivalents at beginning of year		<u>823,286</u>
Cash and cash equivalents at end of year		\$ <u><u>769,915</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (31,917)	
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	101,215	
Increase in revenue receivable - charges for services	(8,240)	
Decrease in other receivables	3,709	
Increase in prepaid expenses	(3,926)	
Decrease in accounts payable	(15,838)	
Decrease in unearned revenue	<u>(30,752)</u>	
Net cash provided by operating activities		\$ <u><u>14,251</u></u>

See accompanying notes to financial statements.

# ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### (1) Nature of Business

St. Tammany Parish Waterworks District No. 3 (the District) was created by the St. Tammany Parish Police Jury as provided by Louisiana Revised Statute (R.S.) 33:3881. The District is governed by a five-member board of commissioners (the Board), who are residents of and own real estate in the District. 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, 2023, the District had approximately 820 customers.

### (2) Summary of Significant Accounting Policies

#### (a) Reporting Entity

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

#### (b) Fund Accounting

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

#### (c) Basis of Accounting

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

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

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

# ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for sales and services. 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.

### (d) Financial Statements

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

1. Management's discussion and analysis
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.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to Financial Statements

December 31, 2023

(e) Cash and Cash Equivalents and Investments

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

(f) Revenue Receivable

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, 2023. Not collectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate that the account is not collectible.

(g) Capital Assets

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

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Infrastructure – Water System	20-35 years
Equipment	15-20 years

(h) Federal Income Taxes

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

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to Financial Statements

December 31, 2023

(i) Estimates

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

(3) Cash and Cash Equivalents and Investments

At December 31, 2023, cash and cash equivalents for both current and restricted demand deposits consisted of the following:

Unrestricted	\$	506,856
Restricted		<u>263,059</u>
Cash on hand and in bank	\$	<u>769,915</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, 2023 the District was properly covered.

(4) Restricted Assets

At December 31, 2023, restricted assets consisted of the following:

Restricted for debt service	\$	168,250
Restricted for meter deposits		<u>94,809</u>
Total restricted assets	\$	<u>263,059</u>

(5) Revenues Receivable – Charges for Services

The District had the following accounts receivable categorized by coverage area for the year ended December 31, 2023:

Riverwood	\$	18,938
Covington Country Club		<u>22,084</u>
Total	\$	<u>41,022</u>

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

**Notes to Financial Statements**

**December 31, 2023**

**(6) Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2023 for the primary government are as follows:

	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 408,564	-	-	408,564
<b>Total capital assets not being depreciated and amortized</b>	<u>408,564</u>	-	-	<u>408,564</u>
<b>Capital assets being depreciated</b>				
Well	3,327,547	-	-	3,327,547
Building	735	-	-	735
Land improvements	11,874	-	-	11,874
Water system improvements	413,132	-	-	413,132
Water lines	134,627	-	-	134,627
Water storage	139,291	-	-	139,291
Machinery and equipment	88,015	-	-	88,015
Control system	33,792	-	-	33,792
Improvements	19,716	-	-	19,716
<b>Total capital assets being depreciated and amortized</b>	<u>4,168,729</u>	-	-	<u>4,168,729</u>
<b>Less accumulated depreciation for</b>				
Well	(325,960)	(84,852)	-	(410,812)
Building	(735)	-	-	(735)
Water system improvements	(319,795)	(12,052)	-	(331,847)
Water lines	(133,459)	(44)	-	(133,503)
Water storage	(139,296)	-	-	(139,296)
Machinery and equipment	(57,199)	(2,047)	-	(59,246)
Control system	(7,181)	(1,689)	-	(8,870)
Improvements	(16,985)	(531)	-	(17,516)
<b>Total accumulated depreciation</b>	<u>(1,000,610)</u>	<u>(101,215)</u>	-	<u>(1,101,825)</u>
<b>Total capital assets being depreciated, net</b>	<u>3,168,119</u>	<u>(101,215)</u>	-	<u>3,066,904</u>
<b>Capital assets, net</b>	<u>\$ 3,576,683</u>	<u>(101,215)</u>	-	<u>3,475,468</u>

The District recorded \$101,215 in depreciation expense on its capital assets for the year ended December 31, 2023.



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

**Notes to Financial Statements**

**December 31, 2023**

**(7) Long Term Debt**

The following is a summary of bond transactions of the District for the year ended December 31, 2023:

Bonds payable at January 1 <sup>st</sup>	\$ 1,880,000
Bonds issued	-
Bonds retired	<u>(45,000)</u>
Bonds payable at December 31 <sup>st</sup>	<u>\$ 1,835,000</u>

The following is a description of the bonds of the District for the year ended December 31, 2023:

<b><u>Revenue Bonds</u></b>	
\$2,145,000 Water Revenue Bonds dated July 20, 2016;	
Due in annual principal payments of \$45,000 - \$120,000,	
Plus semi-annual interest payments through August 1, 2046,	
With interest at 2.0% to 5.0%, collateralized by water revenues.	\$ 1,835,000
Less: current maturities	(50,000)
Plus: bond premiums	<u>51,621</u>
Non-current portion of bonds payable	<u>\$ 1,836,621</u>

Principal and interest payments due on the revenue bonds outstanding as of December 31, 2023 are as follows:

<b>Year Ending December 31</b>	<b><u>Water Revenue Bonds</u></b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 50,000	78,500	128,500
2025	50,000	77,000	127,000
2026	50,000	75,500	125,500
2027	50,000	74,000	124,000
2028	55,000	71,500	126,500
2029-2033	320,000	313,000	633,000
2034-2038	410,000	225,350	635,350
2039-2043	500,000	132,000	632,000
2044-2046	<u>350,000</u>	<u>28,200</u>	<u>378,200</u>
<b>Total</b>	<u>\$ 1,835,000</u>	<u>1,075,050</u>	<u>2,910,050</u>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Notes to Financial Statements

December 31, 2023

(8) Net Position

Net Position for the year ended December 31, 2023 consisted of the following:

Net investment for capital assets	\$	1,588,847
Restricted		134,979
Unrestricted		<u>196,907</u>
<b>Total</b>	<b>\$</b>	<b><u>1,920,733</u></b>

(9) Board Members' Per Diem Payments

There were no fees paid to board members during the year ended December 31, 2023, other than those disclosed in the payments to agency head schedule.

(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, 2023 were as follows:

<u>Due to</u>		<u>Amount</u>
St. Tammany Parish Sewerage District No. 1	\$	288,134
St. Tammany Parish Sewerage District No. 4		<u>67,448</u>
<b>Total</b>	<b>\$</b>	<b><u>355,582</u></b>

(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 is sufficient to cover the risks of loss to which it is exposed.

(11) Prior Period Adjustment

Net position as of December 31, 2022 has been increased by \$27,102 to reverse activity in certain clearing accounts related to prior periods.

(12) Subsequent Events

The District has evaluated subsequent events through the date that the financial statements were available to be issued, June 10, 2024, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

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

**For the Year Ended December 31, 2023**

**Agency Head Name:** Brian Swindell

<u>Purpose</u>	<u>Amount</u>
Reimbursements	\$ <u><u>1,600</u></u>

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

**Schedule of Compenation Paid to Board Members**

**For the Year Ended December 31, 2023**

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



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

Howard P. Vollenweider, CPA  
Jessica S. Benjamin

Racheal D. Alvey  
Michael R. Choate, CPA

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American Society of Certified Public Accountants  
Society of Louisiana CPAs

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. Tammany Parish Waterworks District No. 3 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 10, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described in the

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accompanying schedule of findings and management's corrective action as item 2023-1 that we consider to be a material weakness.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

#### **District's Response to Findings**

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

#### **Purpose of This Report**

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

*Griffin & Furman, LLC*

June 10, 2024

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Schedule of Findings and Management's Corrective Action Plan

For the Year Ended December 31, 2023

Summary of Auditors' Results:

Financial Statements:

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness identified?	Yes (2023-1)
b. Significant deficiencies identified?	No
3. Compliance and other matters	No
4. Management letter comment provided?	Yes (2023-2)

Finding 2023-1:

*Criteria:*

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

*Condition & Cause:*

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

*Effect:*

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

*Recommendation:*

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

*Management Corrective Action:*

Review necessity for suspense account with accountant and auditor. Develop a plan to eliminate the use of the suspense account for fiscal 2025.

Finding 2023-2:

*Criteria:*

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

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

**Schedule of Findings and Management's Corrective Action Plan**

**For the Year Ended December 31, 2023**

***Condition & Cause:***

The deposit register is not being updated to remove customers who have had their deposits refunded or applied to their balance. The deposit register reflected approximately \$130,705 in customer deposits, while the general ledger reflected a liability of approximately \$95,000. After further inquiry, we were provided a refund report for 2002 to 2023 that when subtracted from the customer deposit register came within approximately \$6,000 of the liability per the general ledger.

***Effect:***

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

***Recommendation:***

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

***Management Corrective Action:***

Establish a procedure to balance the customer deposit liabilities per the utility system to the customer deposit liabilities per the general ledger on a recurring basis for fiscal 2025.



ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Status of Prior Year Findings

For the Year Ended December 31, 2023

**Finding 2022-1:**

*Criteria:*

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

*Condition & Cause:*

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

*Effect:*

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

*Recommendation:*

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

*Management Corrective Action:*

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

*Status:*

There were no changes to the above finding.

**Finding 2022-2:**

*Criteria:*

R.S. 39:1225 provides that the amount of deposit 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.

*Condition & Cause:*

At December 31, 2022, the District had bank deposits totaling \$399,136 that were uninsured and uncollateralized. This was the direct result of the District's financial institution not flagging the accounts properly in their system. In that case, the collective amount of deposits in the District's accounts with that institution would have been collateralized when the balanced exceeded \$250,000.

*Effect:*

The District is not in compliance with R.S. 39:1225

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

Status of Prior Year Findings

For the Year Ended December 31, 2023

***Recommendation:***

We recommend that the District contact the financial institution and ensure that all accounts are identified as public funds such that collateral will be pledged when required.

***Management Corrective Action:***

The financial institution has been contacted and they have made the necessary changes in their system to ensure collateral is pledged as required.

***Status:***

This finding was resolved in 2023.

**Finding 2022-3:**

***Criteria:***

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

***Condition & Cause:***

The deposit register is not being updated to remove customers who have had their deposits refunded or applied to their balance. The deposit register reflected approximately \$119,000 in customer deposits, while the general ledger reflected a liability of approximately \$83,000. After further inquiry, we were provided a refund report for 2002 to 2022 that when subtracted from the customer deposit register came within approximately \$8,000 of the liability per the general ledger.

***Effect:***

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

***Recommendation:***

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

***Management Corrective Action:***

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

***Status:***

There were no changes to the above finding.



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American Society of Certified Public Accountants  
Society of Louisiana CPAs

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

**In planning and performing our audit of the financial statements of the business-type activities of St. Tammany Parish Waterworks District No. 3 (the District), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2023, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.**

**However, during our audit we became aware of a deficiency in internal control other than significant deficiencies and material weaknesses. Opportunities for strengthening internal control are as follows:**

**Customer Deposits (2023-2)**

**During our audit we noted that the customer deposit register is not being updated to remove customers who have had their deposits refunded or applied to their balance. The deposit register reflected approximately \$130,705 in customer deposits, while the general ledger reflected a liability of approximately \$95,000. After further inquiry, we were provided a refund report for 2002 to 2023 that when subtracted from the customer deposit register came within approximately \$6,000 of the liability per the general ledger. We recommend that the accounting procedures are reviewed for this area and refined such that the customer deposit liabilities per the utility system are balanced to the customer deposit liabilities per the general ledger on a recurring basis.**

**We will review the status of this comment during our next audit engagement and would be pleased to discuss this with District management at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.**

*Griffin & Furman, LLC*

**June 10, 2024**

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