

**NATCHITOCHEs PARISH
WATERWORKS DISTRICT NO. 2**

**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2024**

Natchitoches Parish Waterworks District No. 2
Financial Report
December 31, 2024

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NATCHITOCHE PARISH WATERWORKS DISTRICT NO. 2

**1665 Highway 119
Natchez, Louisiana 71456**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Natchitoches Parish Waterworks District No. 2 (hereafter referred to as the District) annual financial report presents an overview and analysis of the District's financial activities for the year ended December 31, 2024. Certain comparative information with the previous year is presented to provide an overview of the District's operations.

Financial Highlights

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board's (GASB) accounting principles. The Statement of Net Position (pages 9-10) includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to District creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position (page 11). This statement measures changes in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its water service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows (page 12). The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

Financial Analysis of the Natchitoches Parish Waterworks District No. 2

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

A summary of the District's basic financial statements is as follows:

Summary of Statement of Net Position

	<u>2024</u>	<u>2023</u>
ASSETS:		
Assets	\$1,887,302	\$2,366,270
Capital Assets, Net of Accumulated Depreciation	<u>4,554,473</u>	<u>4,133,229</u>
Total Assets	<u>\$6,441,775</u>	<u>\$6,499,499</u>
LIABILITIES:		
Payables, Accruals and Other Liabilities	\$ 311,501	\$ 291,413
Long-Term Debt	<u>3,362,934</u>	<u>3,791,091</u>
Total Liabilities	<u>\$3,674,435</u>	<u>\$4,082,504</u>
NET POSITION:		
Net Investment in Capital Assets	\$1,294,473	\$ 438,229
Restricted for Debt Services	537,761	1,116,702
Unrestricted	<u>935,106</u>	<u>862,064</u>
Total Net Position	<u>\$2,767,340</u>	<u>\$2,416,995</u>

Summary of Statement of Revenues, Expenses, and Changes in Net Position

	<u>2024</u>	<u>2023</u>
REVENUES:		
Operating Revenues	\$1,486,977	\$1,506,076
Intergovernmental	225,385	0
Insurance Proceeds	0	280,000
Gain on Investments	36,013	43,367
Interest Income	<u>10,406</u>	<u>9,720</u>
Total Revenues	<u>\$1,758,781</u>	<u>\$1,839,163</u>
EXPENSES:		
Operating Expenses	\$1,356,877	\$1,442,732
Loss on Investments	0	0
Interest Expense	<u>51,559</u>	<u>54,405</u>
Total Expenses	<u>\$1,408,436</u>	<u>\$1,497,137</u>
Change in Net Position	<u>\$ 350,345</u>	<u>\$ 342,026</u>

Sources of Revenue

Charges for water services totaled \$1,486,977 or 85% of total revenue of the District for the year ended December 31, 2024.

Expenses

The majority of the District's total operating expenses for the year ended December 31, 2024 were for payroll and related costs and depreciation expense. Payroll and related costs totaled \$387,132 which is 29% of total operating expenses. Depreciation expense totaled \$423,342 which is 32% of total operating expenses.

Capital Assets

The District's capital assets consist of the distribution system and related equipment, along with the land.

Long-Term Debt

The District issued bonds for the purpose of constructing and maintaining the waterworks system. The payments on these bonds and the applicable bond covenants are made on a timely basis.

Economic Factors

The District's major revenue source is from water sales.

Contacting the Waterworks District's President

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or requests for additional information, contact the District's President at 1665 Hwy 119, Natchez, LA 71456.

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
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INDEPENDENT AUDITORS' REPORT

Ms. Carletta Jones, President
and Members of the Board
Natchitoches Parish Waterworks District No. 2
Natchez, Louisiana 71456

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and major fund of the Natchitoches Parish Waterworks District No. 2 (District), a component unit of the Natchitoches Parish Government, as of and for the year ended December 31, 2024, 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 and major fund of the District as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 on pages 1 through 3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is fairly stated, in all material respects, in relation to the 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 30, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated June 30, 2025 on the results of our state wide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's state wide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 30, 2025

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 2
Statement of Net Position
Proprietary Fund
December 31, 2024

ASSETS:

Current Assets-

Cash & Cash Equivalents	\$ 88,691
Investments	1,135,834
Accounts Receivable	<u>123,971</u>

Total Current Assets \$ 1,348,496

Restricted Assets-

Cash & Cash Equivalents	\$ <u>537,761</u>
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Capital Assets-

Land & Improvements	\$ 18,721
Buildings & Improvements	397,645
Water Distribution System	11,535,900
Furniture, Machinery & Equipment	107,886
Automobiles	158,228
Accumulated Depreciation	<u>(7,663,907)</u>

Total Capital Assets \$ 4,554,473

Other Assets-

Deposits	\$ <u>1,045</u>
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Total Assets \$ 6,441,775

LIABILITIES & NET POSITION:

Current Liabilities-

Accounts Payable & Accruals	\$ <u>100,651</u>
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Liabilities Payable from Restricted Assets-

Customer Deposits	\$ 210,850
Current Portion of Long-Term Debt	<u>440,000</u>

Total Payable from Restricted Assets \$ 650,850

Continued on next page.

Natchitoches Parish Waterworks District No. 2
Statement of Net Position
Proprietary Fund
December 31, 2024

Non-Current Liabilities-	
Compensated Absences	\$ 102,934
Long-Term Debt, net of current portion	<u>2,820,000</u>
Total Non-Current Liabilities	\$ <u>2,922,934</u>
Total Liabilities	\$ <u>3,674,435</u>
Net Position-	
Net Investment in Capital Assets	\$ 1,294,473
Restricted for Debt Service	537,761
Unrestricted	<u>935,106</u>
Total Net Position	\$ <u>2,767,340</u>

See independent auditors' report and notes to financial statements.

Natchitoches Parish Waterworks District No. 2
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Fund
For the Year Ended December 31, 2024

OPERATING REVENUES:	
Charges for Services	\$1,435,995
Connection Fees	17,425
Late Fees	30,150
Miscellaneous	<u>3,407</u>
Total Operating Revenues	<u>\$1,486,977</u>
OPERATING EXPENSES:	
Administrative Services	\$ 5,540
Depreciation	423,342
Employee Benefits	60,068
Fuel & Gas	25,252
Insurance & Bonds	93,413
Legal & Accounting	27,285
Materials & Supplies	56,537
Miscellaneous	10,351
Office Supplies & Other	34,144
Salaries	360,657
Payroll Taxes	26,475
Repairs & Maintenance	125,281
Telephone	14,703
Utilities	<u>93,829</u>
Total Operating Expenses	<u>\$1,356,877</u>
Operating Income	<u>\$ 130,100</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	\$ 10,406
Intergovernmental	225,385
Gain on Investments	36,013
Interest Expense	<u>(51,559)</u>
Total Non-operating Revenues (Expenses)	<u>\$ 220,245</u>
Change in Net Position	\$ 350,345
Net Position-Beginning of Year	<u>2,416,995</u>
Net Position-End of Year	<u>\$2,767,340</u>

See independent auditors' report and notes to financial statements.

Natchitoches Parish Waterworks District No. 2
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 1,480,998
Cash Refunds from Customer Deposits	2,232
Cash Payments to Suppliers	(555,022)
Cash Payments to Employees	<u>(353,814)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>574,394</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal Paid on Capital Debt	\$ (435,000)
Interest Paid on Capital Debt	(51,559)
Intergovernmental Revenue	225,385
Acquisition and Construction of Capital Assets	<u>(844,586)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(1,105,760)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Gain (Loss) on Investments	\$ (9,141)
Interest Income	<u>10,406</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>1,265</u>

Net Decrease in Cash and Cash Equivalents \$ (530,101)

Cash and Cash Equivalents-Beginning of Year 1,156,553

Cash and Cash Equivalents-End of Year \$ 626,452

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income \$ 130,100

Adjustments to Reconcile Operating Income to Net Cash
Provided (Used) by Operating Activities-

Depreciation	\$ 423,342
Changes in Assets and Liabilities-	
(Increase) Decrease in Accounts Receivable	(5,979)
Increase (Decrease) in Accounts Payable	17,856
Increase (Decrease) in Customer Deposits	2,232
Increase (Decrease) in Other Liabilities	<u>6,843</u>
Total Adjustments	\$ <u>444,294</u>

Net Cash Provided (Used) by Operating Activities \$ 574,394

Reconciliation of Cash & Cash Equivalents:

Cash	\$ 88,691
Restricted Cash	<u>537,761</u>
Total Cash and Cash Equivalents	\$ <u>626,452</u>

See independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

INTRODUCTION

The Natchitoches Parish Waterworks District No. 2 was created by an ordinance of the Natchitoches Parish Government (formerly, Natchitoches Parish Police Jury) on April 10, 1963. The District is a political subdivision of the Natchitoches Parish Government, whose president and council members are elected officials. Of the District's eight Commissioners, six are appointed by the Natchitoches Parish Government and two are appointed by the Village of Natchez.

The District accounts for the operations and provisions of water services to the residents and businesses within the boundaries of the District as described in Louisiana Revised Statute Section 33:3381 et seq. The number of customers at December 31, 2024 totaled 2,812.

1. Summary of Significant Accounting Policies:

A. Basis of Presentation-

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity-

As the governing authority of the parish, for reporting purposes, the Natchitoches Parish Government is the financial reporting entity for Natchitoches Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Natchitoches Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Natchitoches Parish Government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Natchitoches Parish Government.
2. Organizations for which the Natchitoches Parish Government does not appoint a voting majority but are fiscally dependent on the Natchitoches Parish Government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

Because the Natchitoches Parish Government appoints 75% of the organization's governing body, and the ability of the Natchitoches Parish Government to impose its will on the District, the District was determined to be a component unit of the Natchitoches Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Natchitoches Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting-

The District uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Natchitoches Parish Waterworks District No. 2, uses an enterprise fund type of the proprietary fund category to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Accounting-

The accounting and financial treatment applied to a fund is determined by its measurement focus. Proprietary funds are 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 proprietary fund uses the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

E. Cash and Cash Equivalents-

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

F. Investments-

Investments are limited by R. S. 33:2955 and Natchitoches Parish Waterworks District No. 2's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments.

G. Compensated Absences-

Full-time employees of the District earn annual leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next, however, sick leave may be accumulated up to a maximum of 120 days at a rate of 1 day per month. Upon termination, accumulated sick leave is paid to the employee. Compensated absences at December 31, 2024 was \$102,934.

H. Capital Assets-

The capital assets of the Natchitoches Parish Waterworks District No. 2 enterprise fund are carried at historical costs and are included on the Statement of Net Position, along with accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. Depreciation of all exhaustible capital assets used by the enterprise fund operation is charged as an expense against operations. Depreciation has been computed using the straight-line method over the estimated useful lives of the assets, which is generally 10 to 40 years for buildings and building improvements, 7 to 40 years for the distribution system, 5 years for vehicles, and 5 to 10 years for machinery and equipment.

I. Estimates-

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

J. Net Position-

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including 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.
- b. Restricted net position - Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

- c. Unrestricted net position - All other net resources that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expenses.

K. Receivables-

All receivables are reported at their gross value, and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

2. Cash, Cash Equivalents, and Custodial Credit Risk:

The cash and cash equivalents of the District are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District’s name.

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. The District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state-chartered credit unions.

At December 31, 2024, the District had cash and cash equivalents (book balances) of \$626,452, of which \$88,691 was unrestricted. Cash and cash equivalents are stated at cost, which approximates market.

At December 31, 2024, the District’s collected bank balances of \$645,150, were secured as follows:

Cash and Cash Equivalents	\$ 645,150
FDIC	(386,778)
Pledged Securities	<u>(258,372)</u>
Unsecured	<u>\$ 0</u>

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

3. Investments, Interest Rate Risk, and Credit Risk:

The investments of the Natchitoches Parish Waterworks District No. 2 are subject to the following risk:

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of offsetting exposure to interest rate risk, the District diversifies its investments by security type and institution.

Credit Risk: Generally, credit risk is the risk that the issuer of a debt type investment will not fulfill its obligation to the holder of the investment. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks, credit unions chartered in Louisiana organized under Louisiana law and national banks organized under Louisiana law and national banks having principal offices in Louisiana.

The District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U.S. Treasury and U.S. Agencies, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date.

At December 31, 2024, the District had \$1,135,834 in investments. These investments were fully secured by U.S. Government securities.

4. Revenue/Accounts Receivable:

At year-end, the District had \$123,971 in customer receivables.

5. Accounts Payable & Accruals:

At year end, the District had \$100,651 in accounts payable and accruals which consists of \$60,277 vendor payments, \$30,726 water prepayments, \$8,140 interest payable, and \$1,508 payroll and sales taxes payable.

6. Restricted Assets:

At December 31, 2024, Natchitoches Parish Waterworks District No. 2 had the following restricted assets:

Customer Refund Account	\$ 119,203
Debt Service Accounts	<u>418,558</u>
Total Restricted Cash and Cash Equivalents	<u>\$537,761</u>

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

7. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2024, is as follows:

Governmental Activities	Balance 12-31-2023	Additions	Deletions	Balance 12-31-2024
Capital Assets Not Depreciated:				
Land	\$ 18,721	\$ 0	\$0	\$ 18,721
Capital Assets Depreciated:				
Distribution System	\$10,691,314	\$844,586	\$0	\$11,535,900
Building & Building Improvements	397,645	0	0	397,645
Vehicles	158,228	0	0	158,228
Furniture, Machinery & Equipment	107,886	0	0	107,886
Total Capital Assets, Depreciated	<u>\$11,355,073</u>	<u>\$844,586</u>	<u>\$0</u>	<u>\$12,199,659</u>
Total Capital Assets	<u>\$11,373,794</u>	<u>\$844,586</u>	<u>\$0</u>	<u>\$12,218,380</u>
Less Accumulated Depreciation:				
Plant & Distribution System	\$ 6,817,434	\$399,795	\$0	\$ 7,217,229
Building & Building Improvements	185,934	10,404	0	196,338
Vehicles	142,378	8,270	0	150,648
Furniture, Machinery & Equipment	94,819	4,873	0	99,692
Total Accumulated Depreciation	<u>\$ 7,240,565</u>	<u>\$423,342</u>	<u>\$0</u>	<u>\$ 7,663,907</u>
Net Capital Assets	<u>\$ 4,133,229</u>	<u>\$421,244</u>	<u>\$0</u>	<u>\$ 4,554,473</u>

Depreciation expense of \$423,342 was recorded for the year ended December 31, 2024.

8. Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended December 31, 2024.

	Balance 12-31-2023	Additions	Reductions	Balance 12-31-2024
Compensated Absences	\$ 96,091	\$6,843	\$ 0	\$ 102,934
Refunding Bond Series 2021	<u>3,695,000</u>	<u>0</u>	<u>435,000</u>	<u>3,260,000</u>
Total	<u>\$3,791,091</u>	<u>\$6,843</u>	<u>\$435,000</u>	<u>\$3,362,934</u>
	Interest Rate	Maturity Date	Amount Issued	
Refunding Bond Series 2021	Variable: .5 - 2.0%	2033	<u>\$4,935,000</u>	

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

The annual requirements to amortize all debt outstanding as of December 31, 2024 are as follows:

<u>Year Ending December 31</u>	<u>Long-Term Debt Principal</u>	<u>Long-Term Debt Interest</u>	<u>Total</u>
2025	\$ 440,000	\$ 24,420	\$ 464,420
2026	445,000	22,220	467,220
2027	450,000	19,995	469,995
2028	460,000	17,182	477,182
2029	285,000	13,962	298,962
2030-2033	<u>1,180,000</u>	<u>31,514</u>	<u>1,211,514</u>
Total	<u>\$3,260,000</u>	<u>\$129,293</u>	<u>\$3,389,293</u>

Under the terms of the outstanding revenue bonds, all income and revenue (hereafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and sufficient funds are to be set aside into the following special funds:

As pertains to Revenue Refunding Bond Series 2021:

- a. From “Water System Revenue Fund”, there must be paid all reasonable and necessary expenses of operating and maintaining the System.
- b. Each month, there will be set aside into a fund called the “Debt Service Fund” an amount constituting 1/12 of the total principal payment and 1/6 of the semi-annual interest payment maturing in the ensuing year. Such amounts shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

9. Post-Employment Benefits:

The District does not provide any post-employment benefits; therefore, no disclosure for GASB 45 is required.

10. Leases:

The Natchitoches Parish Waterworks District No. 2 was not obligated under any non-cancellable capital or operating lease commitments at December 31, 2024.

11. Pension Plan:

All employees of the Natchitoches Parish Waterworks District No. 2 are covered under the Social Security System.

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

12. Schedule of Compensation of Board Members:

<u>Board Member</u>	<u>Amount Paid</u>
Henderson Howard	\$1,200
Ted Duggan	600
Carol O'Quinn	900
Donald Forest	1,200
Patrick Masson	1,200
Emile Metoyer	1,200
Ludlow McNeely	1,100
Carletta Jones	1,200
Gerald Longlois	300
Preston Broadwater	<u>100</u>
Total	<u>\$9,000</u>

13. Board of Directors:

The Board of Directors of Natchitoches Parish Waterworks District No. 2 at December 31, 2024, consisted of the following individuals:

<u>Name, Address, Telephone</u>	<u>Title</u>	<u>Term Expires</u>
Henderson Howard, Jr. P. O. Box 236, Natchez, LA 71456 318-357-3158	Commissioner	7/31/2025
Gerald Longlois 165 Ann Street, Natchitoches, LA 71457 318-426-6843	Commissioner	10/31/2026
Donald Forest 252 Highway 119, Natchez, LA 71456 318-352-7412	Commissioner	7/31/2025
Emile Metoyer 2353 Bermuda Road, Bermuda, LA 71456 318-379-2407	Commissioner	1/19/2026
Ludlow McNeely P. O. Box 2007, Natchitoches, LA 71457 318-652-2626	Secretary/Treasurer	12/20/2025
Patrick Masson 1017 Highway 491 Cloutierville, LA 71416 318-794-9966	Vice-President	6/20/2026
Preston Broadwater 181 Bennett Road, Robeline, LA 71469 318-228-5049	Commissioner	12/31/2026
Carletta Jones 231 St. Jerard Avenue, Natchitoches, LA 71457 318-238-4993	President	2/20/2026

Natchitoches Parish Waterworks District No. 2
Notes to Financial Statements
December 31, 2024

14. Pending Litigation/Contingencies:

The District has no pending litigation at December 31, 2024.

15. Subsequent Events:

Management has evaluated events through June 30, 2025, the date which the financial statements were available for issue. No items were identified to be disclosed.

SUPPLEMENTARY INFORMATION

Natchitoches Parish Waterworks District No. 2
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended December 31, 2024

Agency Head Name: Leslie Dunn, Jr., Manager

<u>Purpose</u>	<u>Amount</u>
Salary	\$82,329
Benefits-Insurance	19,073
Benefits-Other	6,298
Cell phone	843

See independent auditor's report.

OTHER REPORTS/SCHEDULES

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - LLC
Jessica H. Broadway, CPA - A Professional Corporation
Ryan E. Todtenbier, CPA - A Professional Corporation

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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*

Ms. Carletta Jones, President
and Members of the Board
Natchitoches Parish Waterworks District No. 2
Natchez, Louisiana 71456

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 and the *Louisiana Governmental Audit Guide*, the financial statements of the business-type activities and major fund as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Natchitoches Parish Waterworks District No. 2's (District) basic financial statements and have issued our report thereon dated June 30, 2025.

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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The 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 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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 30, 2025

Natchitoches Parish Waterworks District No. 2
Schedule of Audit Results
Year Ended December 31, 2024

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Natchitoches Parish Waterworks District No. 2.
2. The audit did not disclose any material weaknesses in internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. Findings in Accordance with *Government Auditing Standards*

None identified.

III. Prior Year Findings

None identified.

T | C | B | T
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**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES**

To the Natchitoches Parish Waterworks District No. 2 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2024 through December 31, 2024. The Natchitoches Parish Waterworks District No. 2’s (District) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period January 1, 2024 through December 31, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user for this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the entity’s written policies and procedures and observed that they address each of the following categories and subcategories if applicable to public funds and the operations:
 - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - ***Disbursements***, including processing, reviewing, and approving.
 - ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or custodial fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, custodial fund forfeiture monies confirmation.)

- ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Procedure Results: We noted three exceptions as a result of these procedures. Payroll/personnel written policy did not include procedures for reviewing and approving time/attendance records and did not include approval process for employee(s) rate of pay. Policy and procedures did not include a written policy for Ethics and Sexual Harassment.

Ethics

2. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, we obtained ethics documentation from management, and:
 - We observed whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.
 - We observed that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
3. We inquired and/or observed whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Procedure Results: We noted one exception as a result of these procedures. Four of the selected employee files did not have documentation demonstrating the completion of one hour of ethics training.

Information Technology Disaster Recovery/Business Continuity

4. We performed the following procedures:
 - We obtained and inspected the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquired of personnel responsible for backing up critical data) and observed that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - We obtained and inspected the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquired of personnel responsible for testing/verifying backup restoration) and observed evidence that the test/verification was successfully performed within the past 3 months.
 - We obtained a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. We randomly selected the required number of computers (at least 5) and observed while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
5. We randomly selected 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19, and observed evidence that the selected terminated employees have been removed or disabled from the network.
6. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, we obtained cybersecurity training documentation from management, and observed that the documentation demonstrates that the selected employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
 - Hired before June 9, 2020, completed the training.
 - Hired on or after June 9, 2020, completed the training within 30 days of initial service or employment.

Procedure Results: We note one exception as a result of these procedures. None of the selected employee files contained documentation demonstrating the completion of cybersecurity training.

Prevention of Sexual Harassment

7. We randomly selected the employees/officials from procedure #17 under "Payroll and Personnel" above, obtained sexual harassment training documentation from management, and observed that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
8. We observed that the entity has posted its sexual harassment policy and complaint procedures on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

9. We obtained the entity's annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed that it includes the applicable requirements of R.S. 42:344:
- Number and percentage of public servants in the agency who have completed the training requirements;
 - Number of sexual harassment complaints received by the agency;
 - Number of complaints which resulted in a finding that sexual harassment occurred;
 - Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - Amount of time it took to resolve each complaint.

Procedure Results: No exceptions were noted as a result of these procedures.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

June 30, 2025

Natchitoches Parish Waterworks District No. 2
Management's Responses to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended December 31, 2024

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

- Item 1: Exception – The policies and procedures did not address reviewing and approving time/attendance records or approval process for the employee rate of pay, ethics or sexual harassment.
- Response – Management will implement policies and procedures to address reviewing and approving time/attendance records or approval process for the employee rate of pay, ethics or sexual harassment.
- Item 21: Exception – Four of the selected employee files did not have documentation demonstrating the completion of one hour of ethics training.
- Response – Management will ensure that all employee files have a copy of their completed ethics training.
- Item 29: Exception – None of the selected employee files have documentation demonstrating the completion of cybersecurity training.
- Response – Management will ensure that all employee files have a copy of their completed cybersecurity training.