NORTH DESOTO WATER SYSTEM, INC.
Stonewall, Louisiana

Financial Statements
For the years ended December 31, 2025 and 2024

NORTH DESOTO WATER SYSTEM, INC.

FINANCIAL STATEMENTS
December 31, 2025 and 2024

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Dees Gardner, Certified Public Accountants, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of North DeSoto Water System, Inc.
Stonewall, Louisiana

Opinion

We have audited the accompanying financial statements of North DeSoto Water System, Inc., a nonprofit organization (the Water System), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water System as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Water System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 with GAAS 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 GAAS 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 Water System'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 Water System'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information 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 July 23, 2026, on our consideration of the Water System’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 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 Water System’s internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water System’s internal control over financial reporting and compliance.

Dees Gardner, Certified Public Accountants, LLC

Dees Gardner, Certified Public Accountants, LLC
Mansfield, Louisiana
July 24, 2026

FINANCIAL STATEMENTS

North DeSoto Water System, Inc.
STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

ASSETS		2025		2024
Current Assets				
Cash and cash equivalents	$	980,419	$	1,270,582
Accounts receivable, trade		85,259		87,004
Inventory		35,843		18,542
Prepaid expenses		9,180		7,778
Total current assets		1,110,701		1,383,906
Restricted Assets				
Cash and cash equivalents		185,425		181,672
Property and Equipment				
Wells, lines, tanks, and equipment		7,922,415		6,665,271
Less accumulated depreciation		(3,265,687)		(3,034,387)
Total property and equipment, net		4,656,728		3,630,884
Other Assets				
Deposits		600		600
TOTAL ASSETS	$	5,953,454	$	5,197,062
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$	21,841	$	12,648
Payroll related liabilities		19,449		11,497
Current portion of operating lease liability		9,475		9,454
Current portion of long-term debt		38,775		37,282
Customer deposits		134,425		130,672
Total current liabilities		223,965		201,553
Long-term debt				
Long-term operating lease liability, less current portion		410,675		420,150
Compensated Absences		21,925		-
Notes payable, less current portion		773,332		812,107
Total long-term debt		1,205,932		1,232,257
TOTAL LIABILITIES		1,429,897		1,433,810
NET ASSETS				
Net assets without donor restrictions		4,523,557		3,763,252
TOTAL NET ASSETS		4,523,557		3,763,252
TOTAL LIABILITIES AND NET ASSETS	**$**	5,953,454	$	5,197,062

See independent auditor's report and notes to the financial statements.

North DeSoto Water System, Inc.
STATEMENTS OF ACTIVITIES

For the years ended December 31, 2025 and 2024

	2025	2024
Operating Revenues:		
Water sales	$ 1,209,804	$ 1,244,570
Installation charges	62,539	40,115
Miscellaneous income	19,634	2,332
Total Increases in Unrestricted Net Assets	1,291,977	1,287,017
Operating Expenses:		
General operating expenses	1,223,633	1,060,858
Total Decreases in Unrestricted Net Assets	1,223,633	1,060,858
Operating Income	68,344	226,159
Non-operating revenues (expenses):		
Interest income	31,652	28,246
Government grants	689,000	35,000
Gain on disposal of fixed assets	5,000	-
Interest expense	(33,691)	(35,218)
Total non-operating revenues (expenses)	691,961	28,028
Change in Net Assets Without Donor Restrictions	760,305	254,187
Net Assets at Beginning of Year	3,763,252	3,509,065
Net Assets at End of Year	$ 4,523,557	$ 3,763,252

See independent auditor's report and notes to the financial statements.

North DeSoto Water System, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2025 and 2024

GENERAL OPERATING EXPENSES:	2025	2024
Auto and Truck	$ 23,747	$ 13,973
Conferences, seminars, and travel	1,063	951
Depreciation	241,669	245,801
Dues and subscriptions	1,054	1,195
Insurance	23,065	32,519
Office expense	40,937	36,965
Professional fees	71,614	55,344
Leases	8,601	10,900
Repairs and maintenance	71,015	112,293
Miscellaneous	5,963	6,330
Supplies	237,854	125,930
Salaries and wages	292,926	245,391
Employee benefits	65,584	51,014
Payroll taxes	21,303	19,571
Utilities	117,238	102,681
TOTAL GENERAL OPERATING EXPENSES	**$** 1,223,633	$ 1,060,858

See independent auditor's report and notes to the financial statements.

North DeSoto Water System, Inc.
STATEMENTS OF CASH FLOWS

For the years ended December 31, 2025 and 2024

		2025		2024
Cash flows from operating activities:				
Receipts from customers	$	1,293,722	$	1,293,142
Cash payments to suppliers for goods and services		(611,661)		(531,289)
Cash payments to employees for services		(349,936)		(310,837)
Change in Meter deposits		3,753		4,272
Net cash provided (used) by operating activities		335,878		455,288
Cash flows from capital and related financing activities:				
Cash received from grants		689,000		35,000
Principal paid on notes payable		(37,282)		(35,752)
Interest paid on notes payable		(33,691)		(35,218)
Net cash provided (used) by financing activities		618,027		(35,970)
Cash flows from investing activities:				
Purchase of capital assets		(1,276,967)		(68,027)
Gain (Loss) on sale of assets		5,000		-
Interest income		31,652		28,246
Net cash provided (used) by investing activities		(1,240,315)		(39,781)
Net increase (decrease) in cash and cash equivalents		(286,410)		379,537
Cash and cash equivalents, beginning of year		1,452,254		1,072,717
Cash and cash equivalents, end of year	$	1,165,844	$	1,452,254
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income	$	68,344	$	226,159
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		241,669		245,801
Changes in operating assets and liabilities:				
(Increase) Decrease in accounts receivable		1,745		6,125
(Increase) Decrease in inventory		(17,301)		(15,745)
(Increase) Decrease in prepaid expenses		(1,402)		(563)
Increase (Decrease) in accounts payable		9,193		(15,900)
Increase (Decrease) in payroll related liabilities		29,877		5,139
Increase (Decrease) in customer deposits		3,753		4,272
Total adjustments		267,534		229,129
Net cash provided (used) by operating activities:	$	335,878	$	455,288
Reconciliation of Cash & Cash Equivalents:				
Cash & Cash Equivalents	$	980,419	$	1,270,582
Restricted Cash		185,425		181,672
Total Cash & Cash Equivalents	$	1,165,844	$	1,452,254

See independent auditor's report and notes to the financial statements.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization and Nature of Activities

The North DeSoto Water System, Inc. (the Water System) is a nonprofit organization incorporated in 1979 under Louisiana Statute R.S. 12:101(8). The Water System's primary purpose is to provide water service to a community located in the northern part of DeSoto Parish, Louisiana, a rural parish located in the northwestern portion of the state. The Water System currently provides service to approximately 2,400 members. The Water System is supported primarily through the sale of water to customers in their service area and grant funds.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Water System is required to report information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Board of Directors and/or the passage of time.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months when purchased. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments.

Trade Accounts Receivable

Trade accounts receivables (water customers) are reported at the amount management expects to collect from balances outstanding at year-end. These water receivables are typically collected within 30 days because of a strict cut-off policy for non-payment. Management establishes a valuation allowance for any accounts past due over 120 days.

Inventory

Inventory, which consists of digital meters on hand at year-end, are valued at cost.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31 are recorded as prepaid expenses.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Donated assets are reported as contributions without donor restrictions unless the donor has restricted use to a specific purpose. Those assets that are restricted to a specific purpose are recognized as contributions with donor restrictions. It is the Water System's policy to capitalize acquisitions of property and equipment in excess of $2,000. The Water System complies with FASB ASC 842 and recognizes all Leases with an initial term of 12 months and present value of $5,000 or more as right-of-use assets. The Water System has elected to apply the short-term lease exception to all leases with a term of one year or less. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. The estimated useful lives are as follows:

Water lines, meters, tanks, etc.	25-40 Years
Machinery and equipment	7 Years
Office furniture and fixtures	5-8 Years
Right-of-use assets	Lease term

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

Maintenance and repairs are charged to expense when incurred. Betterments and renewals are capitalized. Assets dedicated or donated to the Water System are recorded at fair market value at the time of donation. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in the change in net assets.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Water System's significant financial instruments are cash, cash equivalents, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Meter Deposits

Members' meter deposits are recorded as a restricted liability and are refundable upon termination of membership.

Compensated Absences

The Water System has the following policy relating to vacation and sick leave:

Full-time employees earn vacation at a rate of 40 hours per year after the first year of employment, 80 hours per year after the third year of employment, 120 hours per year after the tenth year of employment, and 160 hours per year after the fifteenth year of employment. Vacation is not carried over from one year to the next but is expected to be used prior to termination of employment.

Employees are granted eight hours of sick leave each month and may accumulate 200 hours of sick leave to be rolled over from year to year.

The Water System's recognition and measurement criteria for compensated absences follow:

Unused vacation leave is not carried over at year end, however, sick leave is accrued. At December 31, 2025, compensated absences of $21,925 were accrued. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the Proprietary Fund when leave is actually taken.

Use of Estimates

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

Income Taxes

The Water System is exempt from federal and state income taxes under IRS Code Section 501 (c) (12). Accordingly, there is no provision for income taxes in these financial statements. The Water System's federal Exempt Organization Business Income Tax Returns (Form 990) for 2022, 2023, and 2024 are subject to examination by the IRS, generally for three years after they were filed.

2. CASH AND CASH EQUIVALENTS

The Water System has cash and cash equivalents (book balances) at December 31 as follows:

	2025	2024
Unrestricted cash and cash equivalents	$ 980,419	$ 1,270,582
Restricted cash and cash equivalents	185,425	181,672
Total cash and cash equivalents	$ 1,165,844	$ 1,452,254

2. CASH AND CASH EQUIVALENTS (continued)

The Water System has concentrated its credit risk for cash by maintaining deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). At December 31, 2025, the Water System had $1,170,680 in deposits (collected bank balances). These deposits are secured from risk by $250,000 of federal deposit insurance and by $920,680 of pledged marketable securities held by the custodial bank with a value of $1,950,746.

3. RECEIVABLES

Receivables at December 31, 2025, are as follows:

		2025		2024
Water sales	$	85,500	$	91,191
Less allowance for bad debts		(241)		(4,187)
Total Accounts Receivable	$	85,259	$	87,004

The accounts receivable balance is comprised of approximately 2,492 metered accounts, 2,368 residential and 124 commercial customers, with an average monthly balance of $40 per account.

The allowance for bad debts is based on a percentage of aged receivables over 60 days. An aging of accounts receivable at December 31, 2025, is as follows:

Current	$ 79,722
31-60 days	5,537
61-90 days	118
91-120 days	(83)
over 120 days	206
Allowance	(241)
Total	$ 85,259

All the accounts receivable are due from customers in the North DeSoto Parish area. The Water System's ability to collect the amounts due from customers is affected by economic fluctuations in this geographical area.

4. RESTRICTED ASSETS

Under the terms of the notes payable agreement with CoBank ACB, the Water System is required to set aside funds which are restricted to servicing the notes payable. There are two loan agreements with CoBank. The first is a multiple advance term promissory note for $1,000,000 that requires a debt service reserve of $37,000. The second is a single advance term promissory note with an original amount of $474,000 that requires a debt service reserve of $14,000. The restricted amounts at December 31, 2025 for the CoBank loan agreements are $51,000.

Members are required to pay a meter deposit in the amount of $50 that is recorded as a restricted liability entitled "meter deposits." The Water System currently collects meter deposits into a restricted cash account. Upon termination of membership, the deposit is applied to any unpaid account balance with the remaining amount, if any, refunded to the withdrawing member within a reasonable period of time. The amount of member meter deposits was $134,425 and $130,672 as of December 31, 2025 and 2024, respectively.

Restricted assets at December 31, 2025, are comprised of:

		2025		2024
Cash and cash equivalents	$	185,425	$	181,672

5. PROPERTY AND EQUIPMENT

Fixed assets consist of the following at December 31, 2025:

	2024	Additions	Disposal / Reclass	2025
Fixed assets not being depreciated:				
Land	$ 72,292	$ -	$ -	$ 72,292
Construction in progress	36,483	699,550	-	736,033
Total fixed assets not being depreciated	108,775	699,550	-	808,325
Fixed assets being depreciated or amortized:				
Buildings	245,916	-	-	245,916
Wells and lines	4,943,587	511,783	-	5,455,370
Equipment and machinery	725,965	-	(19,823)	706,142
Vehicles	151,796	65,634	-	217,430
Furniture and fixtures	6,560	-	-	6,560
Right-of-use assets	482,672	-	-	482,672
Total fixed assets being depreciated or amortized	6,556,496	577,417	(19,823)	7,114,090
Total assets	6,665,271	1,276,967	(19,823)	7,922,415
Less accumulated depreciation and amortization	(3,034,387)	(251,123)	19,823	(3,265,687)
Net property and equipment	$ 3,630,884	$ 1,025,844	$ -	$ 4,656,728

Depreciation expense for December 31, 2025 and 2024 is $241,669 and $245,801, respectively. Amortization expense on right-of-use assets for December 31, 2025 and 2024 is $9,454 and $9,605, respectively.

6. PER DIEM PAID TO BOARD MEMBERS

The Water System's Board of Directors consists of five members who serve the entity. The directors do not receive any compensation for their services.

7. NOTES PAYABLE

Notes payable are as follows:

Description	2025	2024
$474,000 payable to CoBank, ACB. dated April 24, 2020, due in monthly installments of $2,687.73 beginning July, 2020, including interest at 3.2% due April, 2040	$ 372,296	$ 392,091
$500,000 payable to CoBank, ACB. dated April 24, 2020, due in monthly installments of $3,225.70 beginning May, 2022, including interest at 4.65% due May, 2042	439,811	457,298
Total debt	812,107	849,389
Less: current portion	(38,775)	(37,282)
Total long-term liabilities	$ 773,332	$ 812,107

7. NOTES PAYABLE (continued)

The annual requirements to amortize all long-term debt as of December 31, 2025, are as follows:

Year	Principal	Interest	Total
2026	38,775	32,198	70,973
2027	40,330	30,645	70,975
2028	41,867	29,110	70,977
2029	43,634	27,346	70,980
2030	45,391	25,591	70,982
2031-2035	255,926	99,037	354,963
2036-2040	296,304	42,805	339,109
2041-2042	49,880	1,800	51,680
	$ 812,107	$ 288,532	$ 1,100,639

Fixed assets of the Water System (including gross income and revenue to be derived from the operation of the Water System) are pledged as collateral to secure the mortgages with CoBank ACB.

The loan agreements contain various restrictive covenants among which include maintenance of restricted cash funds at specified amounts, required amounts of insurance coverage and limitations on additional borrowings. See Note 4. CoBank ACB requires the Water System to establish reserves and make monthly payments in order to satisfy payments on outstanding loans.

8. LEASE COMMITMENTS

The Water System has entered into nine right-of-use leases with property owners in the Water System that were determined to be operating leases. The Water System did not recognize any finance leases.

The purpose of the operating leases is to acquire land to drill and operate water wells, construct pipelines and other necessary structures to obtain water, and manage the water system. These leases have cancellation provisions and are subject to annual appropriations.

Maturities of operating lease liabilities as of December 31, 2025:

Year	Principal	Interest	Total
2026	$ 9,475	$ 925	$ 10,400
2027	9,496	904	10,400
2028	9,516	884	10,400
2029	9,537	863	10,400
2030	9,558	842	10,400
2031-2035	48,107	3,893	52,000
2036-2040	48,639	3,361	52,000
2041-2045	49,178	2,822	52,000
2046-2050	49,724	2,276	52,000
2051-2055	50,278	1,722	52,000
2056-2060	50,839	1,161	52,000
2061-2065	49,002	598	49,600
2066-2070	24,414	186	24,600
2071-2073	2,387	14	2,401
	$ 420,150	$ 20,451	$ 440,601

8. LEASE COMMITMENTS (continued)

Lease liabilities at December 31, 2025,are as follows:

Total operating lease liability	$	420,150
Less current portion		(9,475)
Long-term debt	$	410,675

9. OTHER COMMITMENTS

As of December 31, 2025, pursuant to an agreement with CoBank ACB, the Water System has an available line of credit for $1,000,000. $812,107 was outstanding at the time these financial statements were available to be issued. CoBank ACB requires amounts per month for the 2020 line of credit for the Revenue Note Fund. A total of the reserve for the CoBank line of credit is required to be funded until at an amount sufficient to pay one annual installment of $37,000 is on deposit. The Water System has fully funded their Revenue Note Fund.

10. SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE) IRA PLAN

The Water System has established a Savings Incentive Match Plan for Employees of Small Employers. Employer contributions under this plan shall be equal to each eligible employee's contribution up to a limit of the lesser of 3% of the employee's compensation for the calendar year of $600. To participate in the Plan, the employee must reasonably expect to earn at least $5,000 in annual compensation. The Company may reduce the 3% limit to 1% if the limit is not reduced more than two calendar years during the five-year period ending with the calendar year in which the reduction is effective, and each employee is notified of the reduced limit within a reasonable period before the employee's 60-day election period for the calendar year. The Water System makes annual contributions under this Plan. The Water System made contributions of $7,478 and $6,860 to the Plan for the years ended December 31, 2025 and 2024.

11. CAPITAL STOCK

The Water System does not have capital stock. Membership in the Water System is represented by membership certificates. Such certificates represent the right to use and enjoy the benefits of the Water System's water supply upon the payment of necessary assessments, if any, and of reasonable charges based on such use, provided such use and enjoyment are consistent with the rules, regulations, and contracts affecting the same as may from time to time be prescribed by the Board of Directors. (Per Article VI of the by-laws of the Water System).

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

North DeSoto Water System, Inc. has $1,065,678 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of unrestricted cash of $980,419 and trade accounts receivable of $85,259.

13. SUBSEQUENT EVENTS

The Water System has evaluated subsequent events through July 24, 2026, the date which the financial statements were available to be issued. There are no subsequent events that require disclosure.

SUPPLEMENTARY INFORMATION

NORTH DESOTO WATER SYSTEM, INC.
SCHEDULE OF RATES
December 31, 2025

Effective June 2023	Usage	Base	Per Additional 1,000 Gallons
Residential:	0-2000 Gallons	$ 22.00	
	3000 Gallons and up		$ 4.00
Commercial:	0-4,000 Gallons	$ 37.25	
	5,000 Gallons and up		$ 4.00

See independent auditor's report and notes to the financial statements.

NORTH DESOTO WATER SYSTEM, INC.
BOARD OF DIRECTORS
December 31, 2025

		Term Expires
Mr. Randal Rodgers 173 Lee Lane Stonewall, Louisiana 71078 318-294-1331	President	2026
Mr. Steve Chandler 274 Douglas Drive Stonewall, Louisiana 71078 318-218-0294	Vice-President	2028
Mr. Kirk Dickson 700 Rustic Rd Pvt Dr Stonewall, LA 71078 318-455-4263	Secretary-Treasurer	2029
Mr. Don Crosslin 397 Burford Rd Stonewall, Louisiana 71078 318-617-3926	Director	2028
Mr. Buford Huff 581 Buford Rd Stonewall, Louisiana 71078 318-925-2733	Director	2026

See independent auditor's report and notes to the financial statements.

NORTH DESOTO WATER SYSTEM, INC.
SCHEDULE OF INSURANCE
December 31, 2025

Coverage	Inception Date	Expiration Date	Limits of Liability		Deductible Amount
Business Automobile Combined Limit					
	4/1/2025	4/1/2026	1,000,000	Each person	500
Auto Medical			5,000	Each person	500
Uninsured/Underinsured Motorist			1,000,000	Each accident	500
Hired/Non-owned			1,000,000	Each accident	500
Hired Physical Damage			50,000	Each accident	500
Commercial General Liability					
	4/1/2025	4/1/2026			
Personal injury and advertising injury			1,000,000	Per occurrence	
General aggregate			3,000,000	Aggregate per coverage	
Products-Completed operations			3,000,000	Aggregate	
Damage to premises rented to you			1,000,000	Any one premises	
Medical Expense			10,000	Per accident	
Public Officials & Management Liability					
	4/1/2025	4/1/2026			
Aggregate Limit			3,000,000		1,000
Wrongful acts/employee practices/ employee benefit plans			1,000,000	Per occurrence	1,000
Action for Injunctive Relief			5,000	Per occurrence	1,000
Commercial Crime	4/1/2025	4/1/2026			
Employee theft			100,000	Per occurrence	1,000
Forgery or alteration			100,000	Per occurrence	1,000
Theft of money, securities,			100,000	Inside per occurrence	1,000
Robbery/safe burglary			100,000	Inside per occurrence	1,000
Crime outside the premises			100,000	Per occurrence	1,000
Computer fraud			100,000	Per occurrence	1,000
Funds transfer fraud			100,000	Per occurrence	1,000
Money orders			100,000	Per occurrence	1,000
Property and Contents	4/1/2025	4/1/2026			
Personal property			1,893,711	$10,000 per unscheduled item	1,000
			213,642	Per scheduled property value	1,000
Real property			1,893,711	Real & business personal blanket	1,000
			500,000	Coverage extension blanket	
Borrowed, rented, or leased			100,000		1,000
Workmen's compensation	4/1/2025	4/1/2026	1,000,000	Each accident	
			1,000,000	Disease policy limit	
			1,000,000	Disease each employee	

See independent auditor's report and notes to the financial statements.

NORTH DESOTO WATER SYSTEM, INC
Stonewall, Louisiana
Schedule of Compensation, Benefits and Other Payments to Agency Head
December 31, 2025

Louisiana Revised Statute 24:513(A)(3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2016 Regular Session of the Louisiana Legislature to clarify that nongovernmental or non-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

The Water System is not required to report the total compensation, reimbursements, and benefits paid to the Water System's manager, as none of those payments were made from public funds.

OTHER REPORTS

Dees Gardner, Certified Public Accountants, LLC

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

Board of Directors
North DeSoto Water System, Inc.
Stonewall, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North DeSoto Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of and for the year ended December 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 24, 2026. The financial statements for the year ended December 31, 2025, were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance for that year.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North DeSoto Water System, Inc.'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 opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the North Desoto Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the North DeSoto Water System, Inc.'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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North DeSoto Water System, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2025-001.

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.

This report is intended solely for the information and use of the North Desoto Water System, Inc., management, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report which is a matter of public record in accordance with Louisiana Revised Statute 44.6 and is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 24:513.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
July 24, 2026

NORTH DESOTO WATER SYSTEM, INC.
Stonewall, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES
For the Year ended December 31, 2025

PART I. Summary of Auditor's Reports

Independent Auditor's Report:

We have audited the basic financial statements of the North DeSoto Water System, Inc. as of and for the year ended December 31, 2025, and have issued our report thereon dated July 24, 2026. 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 audit of the basic financial statements as of December 31, 2025, resulted in an unmodified opinion.

Report on Internal Control and Compliance and Other Matters Material to the Financial Statements:

Internal Control		
Significant Deficiency	☐ Yes	☒ No
Material Weakness	☐ Yes	☒ No
Compliance		
Compliance Material to Financial Statements	☒ Yes	☐ No
Other Matters	☐ Yes	☒ No

Federal Awards: Not applicable

Management Letter: None was issued.

PART II. Findings relating to the Financial Statements which are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL

None.

COMPLIANCE AND OTHER MATTERS

<u>2025-001. Late Submission of Report</u>

Criteria. Louisiana state law requires that the Water System have an annual audit performed and submitted to the Legislative auditor within six (6) months after the close of the fiscal year.

Condition. For the year ended December 31, 2025, the Water System did not submit the annual audit within six months after the close of their fiscal year.

Cause. Unknown.

Effect. The Water System is not in compliance with state law.

Recommendation. The Water System should designate staff to prepare for the annual audit so that audit documentation is prepared and made available to the auditor in a timely manner.

Management Response: The late filing was the result of excessive uncorrected errors in accounting software that will be corrected in the future.

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year ended December 31, 2025

INTERNAL CONTROL

None.

COMPLIANCE AND OTHER MATTERS

None.

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Independent Accountant's Report
On Applying Agreed-Upon Procedures

To the Board of Directors, North DeSoto Water System, Inc,
State of Louisiana, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025, through December 31, 2025. The North DeSoto Water System, Inc (the 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, 2025, through December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

iii. ***Disbursements***, including processing, reviewing, and approving.

iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.

v. ***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 rates of pay or approval and maintenance of pay rate schedules.

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

vii. ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

viii. ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that documentation is maintained to demonstrate that all employees and officials, were notified of any changes to the entity's ethics policy.

x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions were noted as a result of this procedure.

2) Board or Finance Committee

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget- to-actual comparisons, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

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

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

No exceptions were noted as a result of this procedure.

3) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

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

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

Exception: Bank Reconciliations do not include evidence of management review or research conducted on aged outstanding items more than 12 months.

Management Response: Management will indicate on the bank reconciliation that it has been reviewed and will research outstanding items aged more than 12 months.

4) Collections (excluding EFTs)

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

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

i. Employees responsible for cash collections do not share cash drawers/registers;

ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit; and

iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

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

D. Randomly select two deposit dates for each of the 5 bank accounts selected for "Bank Reconciliations" procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

i. Observe that receipts are sequentially pre-numbered.

ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted as a result of this procedure.

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

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

ii. At least two employees are involved in processing and approving payments to vendors;

iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure 5B above, as applicable.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions were noted as a result of this procedure.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

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

i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder; and

ii. Observe that finance charges and late fees were not assessed on the selected statements.

C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g. each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions were noted as a result of this procedure.

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

A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policies and procedures procedure 1A (vii); and

iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted as a result of this procedure.

8) Contracts

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

iii. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were noted as a result of this procedure.

9) Payroll and Personnel

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

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedures #9A above, obtain attendance records and leave documentation for the pay period, and:

i. Observe whether all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

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

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

No exceptions were noted as a result of this procedure.

10) *Ethics*

A. Using the 5 randomly selected employees or officials from "Payroll and Personnel" procedure #9A, obtain ethics documentation from management, and:

   i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

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

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

No exceptions were noted as a result of this procedure

11) Debt Service

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

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

No exceptions were noted as a result of this procedure.

12) Fraud Notice

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

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

No exceptions were noted as a result of this procedure.

13) *Information Technology Disaster Recovery/Business Continuity*

Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management":

A. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

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

C. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

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

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

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

We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

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

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in the agency who have completed the training requirements;

ii. Number of sexual harassment complaints received by the agency;

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

v. Amount of time it took to resolve each complaint.

No exceptions were noted as a result of this procedure.

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 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.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, LA
July 24, 2026