

JESSAMINE COUNTY WATER DISTRICT #1
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

BESTEN & DIERUF, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Jessamine County Water District #1 (the District) Board of Commissioners presents the following management discussion and analysis (MD&A) for the reader of the year end 2019 audited financial statements in order to offer additional insight and perspective into the financial position of the district.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The financial statements report information using accounting methods similar to those used by private sector companies. The financial statements include a Statement of Net Assets; a Statement of Activities and Changes in Net Assets; a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Assets presents the financial position of the District and thus provides information about the nature and amount of resources and obligations at year-end.

The Statement of Activities and Changes in Net Assets presents the results of the business activities over the course of the fiscal year and information as to how the Net Assets changed during the year. All changes in Net Assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event or when an obligation arises.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Summary

Net assets are the amount by which assets exceed liabilities. Financial strength is considered to be greater when total net assets are increasing over time. Comparing net assets over time demonstrates how effectively management is achieving goals with their financial resources. The majority of the District's net assets (72%) are invested in capital assets, 17% are restricted and the remaining 11% of net assets are unrestricted.

The table below summarizes the net assets for the last two years and shows the changes from year to year.

	<u>2019</u>	<u>2018</u>	<u>Amount of Change</u>
Current Assets	\$ 240,405	\$ 591,683	\$ (351,278)
Restricted Accounts	1,247,359	916,130	331,229
Net Plant and Distribution Systems	6,992,307	6,867,733	124,574
Other Assets	<u>398,419</u>	<u>392,783</u>	<u>5,636</u>
Total Assets	8,878,490	8,768,329	110,161
Current Liabilities	233,954	294,524	(60,570)
Long-Term Debt	<u>2,447,400</u>	<u>2,528,400</u>	<u>(81,000)</u>
Total Liabilities	2,681,354	2,822,924	(141,570)
Invested in capital assets - net of debt	4,492,212	4,290,367	201,845
Restricted	1,035,318	813,601	221,717
Unrestricted - Board-reserved for major maintenance	370,114	465,078	(94,964)
Unrestricted - Unreserved	<u>299,492</u>	<u>376,359</u>	<u>(76,867)</u>
Total Net Assets	<u>\$ 6,197,136</u>	<u>\$ 5,945,405</u>	<u>\$ 251,731</u>

The second statement that is displayed is the Statement of Activities and Changes in Net Assets. This statement aims to show the reader how various revenues and expenditures of the district contribute to the changes seen in net assets from year to year and is summarized in the following table:

	<u>2019</u>	<u>2018</u>	<u>Amount of Change</u>
Water sales	\$ 1,867,591	\$ 1,709,567	\$ 158,024
Penalties	24,431	28,644	(4,213)
Service charges and miscellaneous	<u>69,463</u>	<u>23,897</u>	<u>45,566</u>
Total Revenues	1,961,485	1,762,108	199,377
Operating Expenses	<u>1,768,217</u>	<u>1,650,066</u>	<u>118,151</u>
Operating Income (Loss)	193,268	112,042	81,226
Net Non-Operating Income (Loss)	<u>(79,699)</u>	<u>(78,797)</u>	<u>(902)</u>
Income (Loss) Before Capital Contributions	113,569	33,245	80,324
Grants and Other Contributions	10,313	57,457	(47,144)
Connection Fees	<u>127,849</u>	<u>66,040</u>	<u>61,809</u>
Total Capital Contributions	138,162	123,497	14,665
Change in Net Assets	<u>\$ 251,731</u>	<u>\$ 156,742</u>	<u>\$ 94,989</u>

Net income in 2019 was boosted by additional water sales from new customers reached. In 2015, the District implemented a new rate in order to help finance construction of a new water storage tower which was completed in 2018.

The third and final statement is the Statement of Cash Flows. This statement shows the changes in cash and cash equivalents in different activities of the District from year to year and is summarized in the following table:

	<u>2019</u>	<u>2018</u>	<u>Amount of Change</u>
Net Cash flows from Operating Activities	\$ 358,395	\$ 407,594	\$ (49,199)
Net Cash flows from Investing Activities	9,542	5,967	3,575
Net Cash flows from Capital and Related Financing Activities	<u>(414,430)</u>	<u>(104,605)</u>	<u>(309,825)</u>
Net Increase in Cash and Cash Equivalents	<u>\$ (46,493)</u>	<u>\$ 308,956</u>	<u>\$ (355,449)</u>

The positive net cash flow from operating activities is a strong indicator of financial success. The net decrease in cash flows from capital and related financing activities is primarily due to continued capital improvements and payments on bond obligations.

Financial Highlights

- Net assets for year-end 2019 were \$6,197,136, which was an increase of \$251,731 from year-end 2018.
- Net operating cash flows for 2019 were \$358,395, which is down \$49,199 from year-end 2018.

Budget Comparisons

The Department of Local Government requires certain Special Purpose Government Entities (SPGE's) to report budgets, amendments, and audits for the public to view. The 2019 budget did not vary significantly from the year-end financial statements with the exception of depreciation, which is not budgeted. Budgets and other financial information reports are available for the public to view on the Kentucky Department for Local Government's website.

Capital Assets and Debt Administration

The District finished building a new water tank storage tower in 2018 and continues construction for additional projects. Capital assets increased to \$10,484,089, at year-end 2019. Financing for the new water tower was provided through a large grant and USDA loan with favorable interest rates. No new debt was added in 2019 or 2018. Total debt decreased to \$2,528,400 at year end 2019.

Economic Factors for Next Year

The District anticipates a significant growth in customer count for several years due to the construction of several housing developments. Beginning in 2018, the District began to phase in an automatic meter reading system that will increase efficiency, and is intended to reduce costs of operations. Also in 2018, the District began replacing or repairing service lines in the Carolyn Lane area that are near the end of their expected useful life. The Carolyn Lane repairs and construction projects will continue in 2020. Finally, management does not believe that interest rates or market volatility will have a significant impact on operations in 2020.

Contacting Management

This narrative was meant to help the reader better understand the financial position of the District. If any user of these documents has any questions or concerns they would like addressed they are invited to write management at:

Jessamine County Water District #1

2225 Lexington Road

Nicholasville, KY 40356

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Jessamine County Water District #1
Nicholasville, Kentucky

We have audited the accompanying financial statements of Jessamine County Water District #1 (the District) of the City of Nicholasville, Kentucky as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Jessamine County Water District #1 and do not purport to, and do not, present fairly the financial position of the City of Nicholasville, Kentucky, as of December 31, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jessamine County Water District #1's basic financial statements. The statements of net assets by funds and activities and changes in net assets by funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses – actual to budget, statements of net assets by funds and activities and changes in net assets by funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of net assets by funds and activities and changes in net assets by funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of 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 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.



Lexington, Kentucky
May 21, 2020

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENTS OF NET ASSETS
DECEMBER 31,

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash	\$ 60,287	\$ 445,574
Accounts receivable	165,770	139,526
Prepaid expenses	14,348	6,583
TOTAL CURRENT ASSETS	240,405	591,683
RESTRICTED AND DESIGNATED CASH:		
Designated cash	212,041	102,529
Customer deposits	152,102	140,235
Reserve accounts for revenue bonds	883,216	673,366
TOTAL RESTRICTED AND DESIGNATED CASH	1,247,359	916,130
PLANT AND DISTRIBUTION SYSTEM:		
Pumping Plant and Distribution System	10,484,089	10,112,047
Less, accumulated depreciation	(3,491,782)	(3,244,314)
NET PLANT AND DISTRIBUTION SYSTEM	6,992,307	6,867,733
OTHER ASSETS:		
Certificates of deposit - designated	370,114	362,549
Unamortized bond costs - net	28,305	30,234
TOTAL OTHER ASSETS	398,419	392,783
TOTAL ASSETS	\$ 8,878,490	\$ 8,768,329
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable and accrued expense	\$ 5,746	\$ 81,608
Sales, utilities and payroll taxes payable	13,187	13,185
Accrued interest	33,974	28,536
Current portion of notes payable	81,000	79,200
Customer deposits	100,047	91,995
TOTAL CURRENT LIABILITIES	233,954	294,524
LONG-TERM DEBT:		
Notes payable, net of current portion	2,447,400	2,528,400
TOTAL LIABILITIES	2,681,354	2,822,924
NET ASSETS:		
Invested in capital assets - net of debt	4,492,212	4,290,367
Restricted	1,035,318	813,601
Unrestricted - Board - reserved for major maintenance	370,114	465,078
Unrestricted - Unreserved	299,492	376,359
TOTAL NET ASSETS	6,197,136	5,945,405
TOTAL LIABILITIES AND NET ASSETS	\$ 8,878,490	\$ 8,768,329

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
REVENUES:		
Water sales	\$ 1,867,591	\$ 1,709,567
Penalties	24,431	28,644
Service charges and miscellaneous	69,463	23,897
TOTAL REVENUES	1,961,485	1,762,108
OPERATING EXPENSES:		
Water purchased	780,997	702,494
Depreciation	266,944	281,692
Office payroll	115,267	109,870
Meter readings and testings	135,010	113,367
Maintenance and repairs	248,692	122,895
Office and miscellaneous	68,394	57,050
Payroll taxes and employee insurance	35,029	56,433
Professional fees	22,356	23,785
Commissioners' salaries	18,000	18,000
Engineering	7,935	87,699
Utilities and telephone	24,388	24,133
Rent	28,440	29,710
Insurance	12,049	19,004
Bad debts	4,716	3,934
TOTAL OPERATING EXPENSES	1,768,217	1,650,066
OPERATING INCOME (LOSS)	193,268	112,042
NON-OPERATING INCOME AND (EXPENSES):		
Interest income	9,542	5,967
Interest expense	(89,241)	(84,764)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	113,569	33,245
GOVERNMENTAL GRANTS AND OTHER CONTRIBUTIONS:		
Connection Fees	127,849	66,040
Grants and Contributions	10,313	57,457
CHANGE IN NET ASSETS	251,731	156,742
NET ASSETS, BEGINNING OF YEAR	5,945,405	5,788,663
NET ASSETS, END OF YEAR	\$ 6,197,136	\$ 5,945,405

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,938,577	\$ 1,765,249
Cash paid to suppliers and employees	(1,580,182)	(1,357,655)
NET CASH FLOWS FROM OPERATING ACTIVITIES	358,395	407,594
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	9,542	5,967
NET CASH FLOWS FROM INVESTING ACTIVITIES	9,542	5,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Connection fees and other contributions	138,162	123,497
Purchases of fixed assets	(391,518)	(69,263)
Interest paid	(81,874)	(84,039)
Principal payments under bond obligations	(79,200)	(74,800)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(414,430)	(104,605)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(46,493)	308,956
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,724,253	1,415,297
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,677,760	\$ 1,724,253

RECONCILIATION OF NET INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:

Income (Loss) from Operations	\$ 193,268	\$ 112,042
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation and amortization	266,944	281,692
Bad debts	4,716	3,934
(Increase) Decrease in accounts receivable	(30,960)	(8,607)
(Increase) Decrease in prepaid expenses	(7,765)	3,921
Increase (Decrease) in customer deposits	8,052	11,748
Increase (Decrease) in accounts payable and accruals	(75,860)	2,864
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 358,395	\$ 407,594

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES

Jessamine County Water District #1 (the District) is a special district formed for the express purpose of providing water service within the confines of Jessamine County, Kentucky. The Jessamine County Fiscal Court appoints an independent board of commissioners to govern the District. The District operates as an independent entity in that it: is legally separate; holds corporate powers of organization; the Fiscal Court does not impose their will upon the District; and the District does not impose financial benefit or burden upon the Fiscal Court.

Basis of Presentation

The District is an individual fund and is accounted for as a business-type activity fund. It is financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges.

The District classifies its net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of "invested in capital assets, net of related debt." Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Basis of Accounting

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America. By utilizing this method, revenues are recognized when they are earned, and expenses are recognized as they are incurred.

Operating income reported in the financial statements includes revenues and expenses related to the continuing operation of the fund. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

Use of Estimates

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

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES - continued

Compensated Absences

Employee absences are compensated in the following manner:

- Vacation – Employees are given five vacation days each year with one additional day earned per year of employment with a maximum of ten days.
- Holidays – A total of nine holidays are compensated during the course of a year.
- Sick days – Employees are granted six sick days per year of employment with a maximum accumulation of 24 days. Employees will be paid each year at their hourly rate for any days above 24.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all certificates of deposit and highly liquid investments with maturity of ninety days or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Bad debts are provided on the direct write-off method, whereby current earnings are charged for amounts determined by management to be uncollectible based on its evaluation of outstanding accounts receivable at the end of the year. As of December 31, 2019 and 2018, management does not believe the direct write-off method differs materially from the allowance method whereby an allowance for doubtful accounts is recorded from amounts estimated to be uncollectible.

Inventories

The District has not historically inventoried unsold water, nor accounted for unbilled water or sewer usage as of the year end. Similarly, the District does not accrue costs for water purchases unbilled as of the year end. The District has determined such items to be insignificant as of December 31, 2019 and 2018.

Capital and Operating Grants

The District received \$10,313 and \$57,457 in grants restricted to the purchase or construction of capital assets for the years ended December 31, 2019 and 2018, respectively.

Unamortized Debt Discount, Issuance Expense, and Deferred Amount from Refunding

Original issue discounts, debt issuance expenses, and deferred amounts from the advance refunding of outstanding revenue certificates are appropriately deferred and amortized over the remaining terms of the applicable debt issues or the life of the old debt, whichever is shorter, for deferred amounts from the advance refunding. The amortization expense on bond issuance costs was \$1,929 for each of the years ended December 31, 2019 and 2018.

Capital Assets

District plant is stated at original cost and depreciated over its estimated useful life using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. Renewals and betterments are capitalized. The range of useful lives used in computing depreciation is as follows: Transmission and Distribution lines and related components and structures – 40 years; Meters and Services – 40 years; Office furnishings – 10 years; and Office Equipment – 5 years.

Interfund Transfers

During the course of its operations, the District has transactions between funds to finance operations, provide services, construct assets, and service debt. Transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES - continued

Income Taxes

The District is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code. As of December 31, 2019 and 2018, management of the District has no uncertain tax positions that qualify for disclosure in the financial statements.

Date of Management's Review

The District's subsequent events have been evaluated through May 21, 2020, which is the date the financial statements were available to be issued.

NOTE B – CASH AND INVESTMENTS

Kentucky Revised Statutes authorize local governmental units to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States Government or its agencies.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest. The District's deposits and investments at December 31, 2019 were entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy will attempt to match its investments with anticipated cash flow requirements.

The District has no monies invested in accounts other than bank checking and savings accounts, money market accounts, and certificates of deposit.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE B – CASH AND INVESTMENTS - continued

The following presents the cash and certificate of deposit balances as shown on the statements of net position at December 31, 2019 and 2018:

<u>As of December 31, 2019</u>	Board			<u>Total</u>
	<u>Unrestricted</u>	<u>Designated</u>	<u>Restricted</u>	
Revenue fund	\$ 18,615	\$ -	\$ 152,102	\$ 170,717
Operation and maintenance fund	29,832	-	-	29,832
Bond and interest fund	-	-	229,244	229,244
Reserve fund	-	-	653,972	653,972
Depreciation and maintenance fund	-	582,155	-	582,155
Construction fund-water	11,840	-	-	11,840
Total	<u>\$ 60,287</u>	<u>\$ 582,155</u>	<u>\$ 1,035,318</u>	<u>\$ 1,677,760</u>

<u>As of December 31, 2018</u>	Board			<u>Total</u>
	<u>Unrestricted</u>	<u>Designated</u>	<u>Restricted</u>	
Revenue fund	\$ 159,283	\$ -	\$ 140,235	\$ 299,518
Operation and maintenance fund	138,800	-	-	138,800
Bond and interest fund	-	-	170,790	170,790
Reserve fund	-	-	502,576	502,576
Depreciation and maintenance fund	-	465,078	-	465,078
Construction fund-water	147,491	-	-	147,491
Total	<u>\$ 445,574</u>	<u>\$ 465,078</u>	<u>\$ 813,601</u>	<u>\$ 1,724,253</u>

NOTE C – INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility and torts, injuries to employees, natural disasters, etc. Each of these risk areas is covered through the purchase of a commercial insurance package. The District has purchased certain policies which are rated, including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT

The District is obligated on debt instruments secured by the water revenues. Balances on the debt obligations as of December 31, 2019 and 2018 are as follows:

	2019	2018
Water Revenue Bonds of 1999 issued through the U. S. Department of Agriculture and administered by Rural Development. The combined issue was in the principal amount of \$1,492,000, bearing an interest rate of 5.30% annually and maturing December 31, 2038.	\$ 213,400	\$ 220,100
Kentucky Rural Water Finance Corporation Flexible Term Finance Program Series 2001 Refinancing Issue in the principal amount of \$376,000, bearing an interest rate of 5.15% annually and maturing in 2024.	121,000	145,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Bonds Series 2012 E with par amount of \$1,080,000 and an average coupon rate of 3.54% maturing in 2043.	885,000	915,000
United States Department of Agriculture Rural Development loan in the principal amount of \$945,000, bearing an interest rate of 2.375% annually and commencing October 1, 2016 with first principal payment to be made January 1, 2018 and maturing in January 2055.	919,500	932,500
United States Department of Agriculture Rural Development loan in the principal amount of \$400,000, bearing an interest rate of 2.375% annually and commencing October 1, 2016 with first principal payment to be made January 1, 2018 and maturing in January 2055.	389,500	395,000
Total	2,528,400	2,607,600
Less current portion	(81,000)	(79,200)
Total long-term debt	\$ 2,447,400	\$ 2,528,400

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT – continued

A summary of future maturities on the aforementioned debt obligations is as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2020	\$ 75,815	\$ 81,000	\$ 156,815
2021	72,699	88,300	160,999
2022	69,391	91,200	160,591
2023	65,947	94,100	160,047
2024	62,876	77,500	140,376
2025-2029	280,607	369,800	650,407
2030-2034	230,845	427,900	658,745
2035-2039	136,135	511,100	647,235
2040-2044	78,090	199,500	277,590
2045-2049	51,882	235,500	287,382
2050-2054	20,936	278,500	299,436
2055	-	74,000	74,000
Total Payments	<u>\$1,145,223</u>	<u>\$ 2,528,400</u>	<u>\$ 3,673,623</u>

NOTE E – LINE OF CREDIT

On February 10, 2017, the District entered into a line of credit agreement with Town Square Bank to draw up to \$1,000,000. On December 29, 2017, this line of credit was increased to \$1,500,000. There were no draws on this line of credit during the year and the balance as of December 31, 2019 and 2018 was \$0. On December 1, 2018, the line of credit was replaced with a surety bond with a bank that pledged collateral securities in lieu of surety at par value of \$1,300,000, a coupon rate of 3.5%, maturing August 1, 2034.

NOTE F – RESTRICTED ASSETS

The restricted assets in the accompanying financial statements are restricted by ordinance, external parties or by board designation. The following schedules set forth restricted assets as of December 31, 2019 and 2018:

	<u>Balance in</u>	<u>Required</u>	<u>Excess</u>
<u>Restricted and Designated Cash at 12/31/19</u>	<u>Account</u>	<u>Balance</u>	<u>Balance</u>
Customer Deposits	\$ 152,102	\$ 100,047	\$ 52,055
Revenue Bonds:			
Reserve Fund	653,972	45,000	608,972
Bond and Interest Fund	229,244	81,143	148,101
Board-Designated accounts	<u>582,155</u>	<u>582,155</u>	<u>-</u>
Total Cash in Restricted Accounts	<u>\$ 1,617,473</u>	<u>\$ 808,345</u>	<u>\$ 809,128</u>

	<u>Balance in</u>	<u>Required</u>	<u>Excess</u>
<u>Restricted and Designated Cash at 12/31/18</u>	<u>Account</u>	<u>Balance</u>	<u>Balance</u>
Customer Deposits	\$ 140,235	\$ 91,995	\$ 48,240
Revenue Bonds:			
Reserve Fund	502,576	45,000	457,576
Bond and Interest Fund	170,790	54,626	116,164
Board-Designated accounts	<u>465,078</u>	<u>465,078</u>	<u>-</u>
Total Cash in Restricted Accounts	<u>\$ 1,278,679</u>	<u>\$ 656,699</u>	<u>\$ 621,980</u>

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE G – COMPLIANCE WITH BOND ORDINANCES

The District is in compliance with applicable bond ordinances that require maintenance of certain funds as set forth following:

Revenue Fund – All gross revenues of the District are deposited into this fund and subsequently distributed monthly to the other funds according to the following fund descriptions:

- Bond and Interest Sinking Fund – For the retirement of bond and interest obligations, an amount equal to 1/12 of the amount of interest and principal becoming due on the next payment date is deposited monthly into this fund for the Revenue bonds of 1999 and 2001. An amount equal to 1/6 of the next succeeding interest payment and 1/12 of the outstanding principal maturing on the next succeeding payment date is deposited monthly into this fund for the Kentucky Rural Water Finance Corporation Public Projects Refunding Bonds Series 2012.
- Reserve Fund – A bond reserve account of at least \$45,000 is to be maintained for the 1999 Revenue Bond until the maturity of the Bond Issue.
- Operations and Maintenance Fund – Deposits are to be made to meet the reasonable and necessary expenses of operating and maintaining the District for the current month not to exceed the amount required to cover expenditures for a two-month period.
- Depreciation Fund – Subject to the priority of the above funds, deposits are to be made to this fund for the purpose of paying unusual or extraordinary maintenance, repairs, renewals and replacements.
- Construction Fund – This fund is to be used to construct additions, extensions, and improvements other than those of the Depreciation Fund.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE H – CAPITAL ASSETS

The District made capital acquisitions of \$391,517 and \$69,263 and dispositions of \$19,476 and \$0 were made during the years ended December 31, 2019 and 2018. The following is a summary of capital asset activity during the year:

	Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2019</u>
Capital assets not depreciated:				
Construction in progress	\$ 35,850	\$ 250,102	\$ -	\$ 285,952
Total not depreciated	35,850	250,102	-	285,952
Capital assets being depreciated:				
Land	2,500	-	-	2,500
Utility plant/distribution system	5,355,078	41,100	-	5,396,178
Meter and meter installations	443,159	100,316	-	543,475
Furniture and fixtures	19,476	-	(19,476)	-
Transportation	3,692,281	-	-	3,692,281
Equipment	35,611	-	-	35,611
Services	528,092	-	-	528,092
Total depreciable	10,076,197	141,416	(19,476)	10,198,137
Accumulated depreciation:				
Accumulated depreciation	(3,244,314)	(266,944)	19,476	(3,491,782)
Total accumulated depreciation	(3,244,314)	(266,944)	19,476	(3,491,782)
Net depreciable assets	6,831,883	(125,528)	-	6,706,355
Total capital assets, net	<u>\$ 6,867,733</u>	<u>\$ 124,574</u>	<u>\$ -</u>	<u>\$ 6,992,307</u>

NOTE I – MAJOR PROJECTS (CONSTRUCTION AND GRANT FUNDING)

The District includes construction in progress on the accompanying statements of net assets as a component of District Plant – Distribution System as follows:

- Carolyn Lane - costs to date as of December 31, 2019 and 2018 were \$61,150 and \$44,500, respectively. Projected project cost is anticipated to total \$202,900.
- US27 Project 4099.15 – costs to date as of December 31, 2019 and 2018 were \$224,801 and \$0, respectively. Projected project cost is anticipated to total \$269,494.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Although the District is directly affected by economic conditions in the geographical area, management does not believe significant credit risk exists as of December 31, 2019 and 2018.

NOTE K – FACILITIES LEASE

The District moved its facilities and entered into a 15-year lease effective June 1, 2010. Terms of the lease call for monthly payments in the amount of \$1,950 through May 2013. Thereafter rents will increase to \$2,150 monthly through May 2018 and \$2,370 monthly through May 2023. Total rent expense was \$28,440 and \$29,710 for the years ended December 31, 2019 and 2018, respectively.

SUPPLEMENTAL INFORMATION

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENT OF NET ASSETS BY FUNDS
DECEMBER 31, 2019
(with comparative totals for December 31, 2018)

	Revenue Fund	Operations and Maintenance Fund	Depreciation Fund	Bond and Interest Sinking Fund	Reserve Fund	Construction Fund	Totals 2019	Totals 2018
ASSETS								
CURRENT ASSETS:								
Cash	\$ 18,615	\$ 29,832	\$ -	\$ -	\$ -	\$ 11,840	\$ 60,287	\$ 445,574
Accounts receivable	151,029	14,741	-	-	-	-	165,770	139,526
Prepaid expenses	-	14,348	-	-	-	-	14,348	6,583
TOTAL CURRENT ASSETS	169,644	58,921	-	-	-	11,840	240,405	591,683
RESTRICTED AND DESIGNATED CASH	152,102	-	212,041	229,244	653,972	-	1,247,359	916,130
PLANT AND DISTRIBUTION SYSTEM:								
Pumping Plant and Distribution System	-	-	-	-	-	10,484,089	10,484,089	10,112,047
Less, accumulated depreciation	-	-	-	-	-	(3,491,782)	(3,491,782)	(3,244,314)
NET PLANT AND DISTRIBUTION SYSTEM	-	-	-	-	-	6,992,307	6,992,307	6,867,733
OTHER ASSETS:								
Certificates of deposit - designated	-	-	370,114	-	-	-	370,114	362,549
Unamortized bond costs - net	-	-	-	-	-	28,305	28,305	30,234
TOTAL OTHER ASSETS	-	-	370,114	-	-	28,305	398,419	392,783
TOTAL ASSETS	\$ 321,746	\$ 58,921	\$ 582,155	\$ 229,244	\$ 653,972	\$ 7,032,452	\$ 8,878,490	\$ 8,768,329
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable and accrued expense	\$ -	\$ 5,746	\$ -	\$ -	\$ -	\$ -	\$ 5,746	\$ 81,608
Sales, utilities and payroll taxes payable	8,687	4,500	-	-	-	-	13,187	13,185
Accrued interest	-	-	-	33,974	-	-	33,974	28,536
Current portion of notes payable	-	-	-	-	-	81,000	81,000	79,200
Customer deposits	100,047	-	-	-	-	-	100,047	91,995
TOTAL CURRENT LIABILITIES	108,734	10,246	-	33,974	-	81,000	233,954	294,524
LONG-TERM DEBT:								
Notes payable, net of current portion	-	-	-	-	-	2,447,400	2,447,400	2,528,400
TOTAL LIABILITIES	108,734	10,246	-	33,974	-	2,528,400	2,681,354	2,822,924
NET ASSETS:								
Fund Balances	213,012	48,675	(1,447,863)	195,270	653,972	2,145,547	1,808,613	1,567,195
Contributions in Aid of Construction	-	-	2,030,018	-	-	2,358,505	4,388,523	4,378,210
TOTAL NET ASSETS	213,012	48,675	582,155	195,270	653,972	4,504,052	6,197,136	5,945,405
TOTAL LIABILITIES AND NET ASSETS	\$ 321,746	\$ 58,921	\$ 582,155	\$ 229,244	\$ 653,972	\$ 7,032,452	\$ 8,878,490	\$ 8,768,329

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(with comparative totals for December 31, 2018)

	Revenue Fund	Operations & Maintenance Fund	Depreciation Fund	Bond and Interest Sinking Fund	Reserve Fund	Construction Fund	Eliminations	Totals 2019	Totals 2018
REVENUE:									
Water sales	\$ 1,867,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,867,591	\$ 1,709,567
Penalties	24,431	-	-	-	-	-	-	24,431	28,644
Service charges and miscellaneous	50,483	-	-	18,980	-	-	-	69,463	23,897
TOTAL REVENUE	1,942,505	-	-	18,980	-	-	-	1,961,485	1,762,108
OPERATING EXPENSES:									
Water purchased	-	780,997	-	-	-	-	-	780,997	702,494
Depreciation	-	-	-	-	-	266,944	-	266,944	281,692
Office payroll	-	115,267	-	-	-	-	-	115,267	109,870
Meter readings and testings	21,290	113,720	-	-	-	-	-	135,010	113,367
Maintenance and repairs	-	248,692	-	-	-	-	-	248,692	122,895
Office and miscellaneous	5,591	60,985	-	-	-	1,818	-	68,394	57,050
Payroll taxes and employee insurance	-	35,029	-	-	-	-	-	35,029	56,433
Professional fees	-	22,356	-	-	-	-	-	22,356	23,785
Commissioners' salaries	-	18,000	-	-	-	-	-	18,000	18,000
Engineering	-	-	7,935	-	-	-	-	7,935	87,699
Utilities and telephone	-	24,388	-	-	-	-	-	24,388	24,133
Rent	-	28,440	-	-	-	-	-	28,440	29,710
Insurance	-	12,049	-	-	-	-	-	12,049	19,004
Bad debts	4,716	-	-	-	-	-	-	4,716	3,934
TOTAL OPERATING EXPENSES	31,597	1,459,923	7,935	-	-	268,762	-	1,768,217	1,650,066
OPERATING INCOME (LOSS)	1,910,908	(1,459,923)	(7,935)	18,980	-	(268,762)	-	193,268	112,042
NON-OPERATING INCOME AND (EXPENSES)									
Interest income	8,515	-	-	1,027	-	-	-	9,542	5,967
Interest expense	(130)	-	-	(89,111)	-	-	-	(89,241)	(84,764)
INCOME (LOSS) BEFORE GRANTS AND CAPITAL CONTRIBUTIONS	1,919,293	(1,459,923)	(7,935)	(69,104)	-	(268,762)	-	113,569	33,245
GRANTS AND OTHER CONTRIBUTIONS									
Connection fees and meter sales	127,249	600	-	-	-	-	-	127,849	66,040
Contributions in aid of construction	-	-	10,313	-	-	-	-	10,313	57,457
CHANGE IN NET ASSETS	2,046,542	(1,459,323)	2,378	(69,104)	-	(268,762)	-	251,731	156,742
TRANSFERS	(2,167,135)	1,444,113	114,640	122,030	151,396	334,956	-	-	-
NET ASSETS, BEGINNING OF YEAR	333,605	63,885	465,137	142,344	502,576	4,437,858	-	5,945,405	5,788,663
NET ASSETS, END OF YEAR	\$ 213,012	\$ 48,675	\$ 582,155	\$ 195,270	\$ 653,972	\$ 4,504,052	\$ -	\$ 6,197,136	\$ 5,945,405

See accompanying notes and independent auditors' report.

Jessamine County Water District #1
Statement of Revenues and Expenses - Actual to Budget
Year Ended December 31, 2019

Revenues	Budget	Actual	Variance
Water sales	\$ 1,886,029	\$ 1,867,591	\$ 18,438
Penalties	27,487	24,431	3,056
Service charges and miscellaneous	45,100	69,463	(24,363)
Total Revenues	1,958,616	1,961,485	(2,869)
Operating Expenses			
Water purchased	714,952	780,997	(66,045)
Gross Profit	1,243,664	1,180,488	63,176
Depreciation	-	266,944	(266,944)
Office payroll	108,000	115,267	(7,267)
Meter readings	104,559	135,010	(30,451)
Maintenance and repairs	169,960	248,692	(78,732)
Office and misc.	52,918	68,394	(15,476)
Payroll taxes and insurance	52,310	35,029	17,281
Professional fees	32,922	22,356	10,566
Commissioners' salaries	18,000	18,000	-
Engineering	36,683	7,935	28,748
Utilities and telephone	24,072	24,388	(316)
Rent	25,800	28,440	(2,640)
Insurance	20,727	12,049	8,678
Bad debts	5,279	4,716	563
Total Operating Expenses	651,230	987,220	(335,990)
Operating Income	592,434	193,268	399,166
Non-Operating Income			
Interest income	-	9,542	(9,542)
Interest expense	(57,620)	(89,241)	31,621
Income before capital cont.	534,814	113,569	421,245
Grants and contributions	-	10,313	(10,313)
Connection fees	76,087	127,849	(51,762)
Change in net assets	\$ 610,901	\$ 251,731	\$ 359,170

See accompanying independent auditors' report

BESTEN & DIERUF PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Jessamine County Water District #1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Jessamine County Water District #1 (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 21, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Management's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in blue ink that reads "Besten+Diruf, LLC". The signature is written in a cursive, flowing style.

Lexington, Kentucky
May 21, 2020

JESSAMINE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

FINDINGS:

2019-001 – Internal Control over Financial Reporting

Criteria:

The District is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles. Management also has the responsibility to the Board of Commissioners to provide timely and accurate interim financial statements and reports. The District should also have internal controls over interim financial reporting to review monthly financial reports to ensure they are complete and accurate prior to the audit.

Condition:

The District does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles. Furthermore, annual audit entries exceed the scope of audit adjustments. Interim financial statements are not complete.

Cause:

The District lacks personnel with the expertise to apply generally accepted accounting principles in preparing its annual financial statements including disclosures and lacks the personnel with expertise to prepare interim financial statements and reports on the accrual basis of accounting.

Effect:

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation:

We recommend management consider retaining an outside CPA with the required expertise to prepare the financial statements in compliance with generally accepted accounting principles and help assist management with the monthly bookkeeping duties.

RESPONSE:

Management will consider the costs and benefits to retain an outside CPA to assist with bookkeeping and prepare the financial statements in compliance with generally accepted accounting principles.

2019-002 – Internal Control over Payroll

Criteria:

The District is required to have internal controls and payroll processes designed to ensure payroll is paid in the correct amount, on time, and proper withholdings are paid to authorities in the correct amount and on time. Controls should also ensure payroll reporting is submitted to outside sources in a timely manner.

Condition:

The District did not make timely or accurate payroll filings.

Cause:

The District has a limited number of office/accounting personnel.

Effect:

Payroll filings were incorrect or not filed until discovered during the audit.

2019-002 – Internal Control over Payroll - continued

Recommendation:

Although the size of the District's office staff limits the extent of separation of duties, we believe certain steps could be taken to ensure payroll filings are completed timely and accurate. We suggest hiring an outside payroll provider to conduct all payroll processes and that the Board designate a board member or member of management to oversee the payroll preparations completed by the outside provider.

RESPONSE:

The District will consider recommendations above and take steps to establish new payroll processes and procedures to ensure payroll is completed correctly and timely going forward.