

**NORTHEAST WOODFORD COUNTY
WATER DISTRICT
Versailles, Kentucky**

**FINANCIAL STATEMENTS
December 31, 2021 and 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Northeast Woodford County Water District
Versailles, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Northeast Woodford County Water District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Woodford County Water District, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
March 26, 2022

NORTHEAST WOODFORD COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
December 31,

ASSETS	2021	2020
Current assets		
Cash	\$ 321,781	\$ 265,966
Certificates of deposit	544,003	541,800
Accounts receivable, net	47,268	56,487
Accrued interest receivable	324	399
Prepaid expenses	7,350	7,168
Inventory	<u>12,426</u>	<u>12,840</u>
Total current assets	<u>933,152</u>	<u>884,660</u>
Restricted assets		
Cash	<u>88,910</u>	<u>94,425</u>
Fixed assets		
Land and land rights	2,000	2,000
Construction in progress	105,693	68,497
Property, plant and equipment	3,170,372	3,162,290
Less accumulated depreciation	<u>(1,651,194)</u>	<u>(1,584,557)</u>
Total fixed assets	<u>1,626,871</u>	<u>1,648,230</u>
TOTAL ASSETS	<u>\$ 2,648,933</u>	<u>\$ 2,627,315</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 63,133	\$ 48,511
Accrued interest payable	8,366	8,855
Payroll liabilities	1,529	1,529
Customer deposits	6,771	4,988
Current portion of bonds and notes payable	<u>18,000</u>	<u>17,000</u>
Total current liabilities	<u>97,799</u>	<u>80,883</u>
Long-term debt		
Bonds and notes payable	<u>615,443</u>	<u>596,247</u>
Net position		
Net investment in capital assets	993,428	1,034,983
Restricted	88,910	94,425
Unrestricted	<u>853,353</u>	<u>820,777</u>
Total net position	<u>1,935,691</u>	<u>1,950,185</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,648,933</u>	<u>\$ 2,627,315</u>

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

**NORTHEAST WOODFORD COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
for the years ended December 31,**

	2021	2020
OPERATING REVENUES		
Water sales	\$ 643,769	\$ 666,883
Penalties	10,925	4,849
Other income	<u>2,450</u>	<u>1,050</u>
Total operating revenues	<u>657,144</u>	<u>672,782</u>
OPERATING EXPENSES		
Water purchased	419,713	402,355
Customer billing and bookkeeping	38,787	39,045
Meter reading	50,400	50,400
Utilities	10,572	13,098
Repairs	23,375	53,368
Commissioners' fees	18,200	18,200
Payroll taxes	1,392	1,393
Insurance and bonds	5,560	5,348
Telephone	760	768
Professional services	8,200	7,900
Computer expenses	3,113	4,556
PSC assessment	1,346	1,330
Other expense	<u>8,180</u>	<u>11,841</u>
Total operating expenses	<u>589,598</u>	<u>609,602</u>
Operating income before depreciation	67,546	63,180
Depreciation expense	<u>(66,676)</u>	<u>(66,135)</u>
OPERATING INCOME (LOSS)	870	(2,955)
Non-operating income (expenses)		
Interest income	2,204	3,104
Interest expense	(22,851)	(23,678)
Gain on disposal of assets	<u>39</u>	<u>-</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(19,738)	(23,529)
Capital contributions		
Tap fees	<u>5,244</u>	<u>3,858</u>
Change in net position	(14,494)	(19,671)
Net position, beginning	<u>1,950,185</u>	<u>1,969,856</u>
NET POSITION, ENDING	<u>\$ 1,935,691</u>	<u>\$ 1,950,185</u>

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

NORTHEAST WOODFORD COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
for the years ended December 31,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 668,146	\$ 663,801
Payments to suppliers	(497,916)	(513,400)
Payments for commissioners' fees and contract labor	<u>(107,387)</u>	<u>(107,645)</u>
Net cash provided by operating activities	<u>62,843</u>	<u>42,756</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	5,244	3,858
Purchases of capital assets	(14,719)	(45,394)
Debt proceeds	37,196	-
Principal paid on bonds payable	(17,000)	(16,000)
Interest paid on bonds payable	<u>(23,340)</u>	<u>(26,760)</u>
Net cash (used) by capital and related financing activities	<u>(12,619)</u>	<u>(84,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(2,203)	(3,108)
Interest and dividends	<u>2,279</u>	<u>3,204</u>
Net cash provided by investing activities	<u>76</u>	<u>96</u>
Net increase (decrease) in cash	50,300	(41,444)
Balances, beginning of the year	<u>360,391</u>	<u>401,835</u>
BALANCES, END OF THE YEAR	<u>\$ 410,691</u>	<u>\$ 360,391</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 870	\$ (2,955)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	66,676	66,135
Change in assets and liabilities:		
Receivables, net	9,219	(11,205)
Other receivables	-	787
Inventory	(1,350)	1,187
Prepaid expenses	(182)	(4,718)
Accounts and other payables	(14,173)	(7,912)
Customer deposits	<u>1,783</u>	<u>1,437</u>
Net cash provided by operating activities	<u>\$ 62,843</u>	<u>\$ 42,756</u>
Non-cash changes in capital assets	<u>\$ 38,960</u>	<u>\$ -</u>

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

NORTHEAST WOODFORD COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

1. ORGANIZATION AND ACCOUNTING POLICIES

The Northeast Woodford County Water District (the District) was created and organized as a public body incorporated in Woodford County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes by the fiscal court of Woodford County to operate a water distribution system.

The Northeast Woodford County Water District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the Northeast Woodford County Water District.

There are no other entities that are subject to the District's oversight responsibility as indicated above.

The District maintains its accounting records on the cash basis during the year. Adjustments are made to the accrual basis from memorandum records at year end.

Fixed assets are recorded at cost. Depreciation has been provided using the straight-line method over the estimated useful life of the asset. Land and land rights are not depreciated.

For purposes of the statement of cash flows, the District defines cash and cash equivalents to include cash on hand and cash in banks.

Investments consist of certificates of deposit, with maturities greater than 90 days, and are valued at cost.

Inventories are stated at cost.

The District charges all uncollectible accounts directly against earnings. The reserve for accounts receivable represents accounts past due more than ninety days that are thought to be uncollectible. The reserve balance was \$5,000 at December 31, 2021 and 2020.

The District's financial statements are presented in conformity with the provisions of Governmental Accounting Standards Board Statement No 34, "**Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments**". The District has not prepared the Management's Discussion and Analysis required by GASB 34.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The District has evaluated and considered the need to recognize or disclose subsequent events through March 26, 2022, which represents the date that these financial statements were available for issuance. Subsequent events past this date, as they pertain to the fiscal year ended December 31, 2021, have not been evaluated by the District.

**NORTHEAST WOODFORD COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

2. CASH AND INVESTMENTS

The bank balances of Northeast Woodford County Water District's deposits and investments at December 31, 2021, totaled \$963,111. \$500,000 was covered by FDIC insurance, \$448,132 was held in collateral pledged in the District's name, and \$14,979 was uninsured.

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480. The District does not have a formal investment policy but follows Kentucky Revised Statutes for investing funds.

The District maintains several bank accounts and investment accounts in accordance with the Bond Resolution. The following schedule presents the detail by account.

	2021	2020
Revenue Fund		
Cash-checking	\$ 60,877	\$ 54,373
Operation and Maintenance Fund		
Cash-checking	127,126	113,638
Construction Fund		
Cash-checking	81,816	47,792
Customer Credit		
Cash-savings	<u>51,962</u>	<u>50,163</u>
	<u>\$ 321,781</u>	<u>\$ 265,966</u>
Operation and Maintenance Fund		
Certificates of deposit	\$ 493,995	\$ 491,988
Customer Credit		
Certificates of deposit	<u>50,008</u>	<u>49,812</u>
	<u>\$ 544,003</u>	<u>\$ 541,800</u>
Bond and Interest Reserve Fund		
Cash-checking	\$ 15,225	\$ 20,761
Depreciation Reserve Fund		
Cash-savings	<u>73,685</u>	<u>73,664</u>
	<u>\$ 88,910</u>	<u>\$ 94,425</u>

Statement of Cash Flows

The Statement of Cash Flows includes the following:

	2021	2020
Cash	\$ 321,781	\$ 265,966
Restricted Cash	<u>88,910</u>	<u>94,425</u>
	<u>\$ 410,691</u>	<u>\$ 360,391</u>

**NORTHEAST WOODFORD COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

3. PROPERTY, PLANT, AND EQUIPMENT

A summary of capital asset activity during the years ended December 31, 2021 and 2020:

	Balance 12/31/2020	Additions	Deductions	Balance 12/31/2021
Capital assets not depreciated:				
Land right of way	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in progress	<u>68,497</u>	<u>37,196</u>	<u>-</u>	<u>105,693</u>
Total	<u>70,497</u>	<u>37,196</u>	<u>-</u>	<u>107,693</u>
Capital assets that are depreciated:				
Cost of system	3,122,166	1,764	-	3,123,930
Equipment	<u>40,124</u>	<u>9,618</u>	<u>(3,300)</u>	<u>46,442</u>
Total	<u>3,162,290</u>	<u>11,382</u>	<u>(3,300)</u>	<u>3,170,372</u>
Less accumulated depreciation	<u>1,584,557</u>	<u>66,676</u>	<u>(39)</u>	<u>1,651,194</u>
Capital assets, net	<u>\$ 1,648,230</u>	<u>\$ (18,098)</u>	<u>\$ (3,261)</u>	<u>\$ 1,626,871</u>
	Balance 12/31/2019	Additions	Deductions	Balance 12/31/2020
Capital assets not depreciated:				
Land right of way	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in progress	<u>174,347</u>	<u>32,080</u>	<u>(137,930)</u>	<u>68,497</u>
Total	<u>176,347</u>	<u>32,080</u>	<u>(137,930)</u>	<u>70,497</u>
Capital assets that are depreciated:				
Cost of system	2,976,965	145,201	-	3,122,166
Equipment	<u>34,081</u>	<u>6,043</u>	<u>-</u>	<u>40,124</u>
Total	<u>3,011,046</u>	<u>151,244</u>	<u>-</u>	<u>3,162,290</u>
Less accumulated depreciation	<u>1,518,422</u>	<u>66,135</u>	<u>-</u>	<u>1,584,557</u>
Capital assets, net	<u>\$ 1,668,971</u>	<u>\$ 117,189</u>	<u>\$ (137,930)</u>	<u>\$ 1,648,230</u>

4. BONDS AND NOTES PAYABLE

The District issued \$611,000 of Waterworks Revenue Bonds in 1995. These bonds bear interest at the rate of 5.75% with the interest payable January 1 and July 1 of each year. The bonds mature serially on January 1 of each year. The U.S. Department of Agriculture, Rural Economic & Community Development (formerly Farmers Home Administration) holds the bonds.

During 2018, the District entered into a debt service agreement with the Kentucky Infrastructure Authority (KIA) to borrow \$400,000 to replace a pump station and to replace and extend waterline. This amount will be repaid over a period of 20 years, at an interest rate of 1.75%. Payments will be made every six months, beginning six months after the first draw of funds. The District will also be required to pay a .20% annual administrative fee and to set up a replacement reserve account.

**NORTHEAST WOODFORD COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

4. BONDS AND NOTES PAYABLE (CONTINUED)

The District has begun to pay interest on the note. Principal payments are expected to start once the final draw is made.

Principal amounts due are as follows:

Year	Issued		Total Requirement For Year	Bonds Outstanding End of Year
	Principal	Interest		
2022	\$ 18,000	\$ 16,215	\$ 34,215	\$ 273,000
2023	19,000	15,151	34,151	\$ 254,000
2024	21,000	14,001	35,001	\$ 233,000
2025	22,000	12,765	34,765	\$ 211,000
2026	23,000	11,471	34,471	\$ 188,000
2027-2031	141,000	34,816	175,816	\$ 47,000
2032-2033	<u>47,000</u>	<u>2,099</u>	<u>49,099</u>	\$ -
Totals	291,000	<u>\$ 106,518</u>	<u>\$ 397,518</u>	
KIA	<u>342,443</u>			
Totals	<u>\$ 633,443</u>			

The following is a summary of direct borrowings and placements for the year ended December 31, 2021:

	Balance December 31, 2020	Issued	Principal Payments	Balance December 31, 2021
Series 1995	\$ 308,000	\$ -	\$ (17,000)	\$ 291,000
KIA Note	<u>305,247</u>	<u>37,196</u>	<u>-</u>	<u>342,443</u>
Totals	<u>\$ 613,247</u>	<u>\$ 37,196</u>	<u>\$ (17,000)</u>	<u>\$ 633,443</u>

5. COMPLIANCE WITH BOND RESOLUTION

The bond and note resolutions require the District to maintain certain reserves as follows:

Reserve Fund – The bond requires this reserve to receive a monthly transfer of \$495 until a balance of \$59,400 is accumulated. In addition, this reserve is to receive all proceeds collected from potential customers to aid in construction of extensions and any property damage insurance proceeds. Funds may be used only for the purpose of paying the cost of unusual or extraordinary maintenance and repairs not included in the budget and cost of constructing extensions or improvements to the system. The KIA note requires this reserve to receive an annual payment of \$1,000 until a balance of \$20,000 is accumulated. The balance of these reserves were \$73,685 and \$73,664 at December 31, 2021 and 2020.

Bond and Interest Sinking Fund – This reserve is to receive a monthly transfer of 1/6 of the next interest payment due and 1/12 of the next principal payment due. In addition, this reserve is to receive any excess revenues at the close of each year after provision of anticipated operating expenses for a two-month period. This reserve can only be used to pay debt service on the bond issue. The District did not meet the bond requirements during the current year resulting in a deficit of \$11,141. The balance of this reserve was \$15,225 and \$20,761 at December 31, 2021 and 2020, respectively.

**NORTHEAST WOODFORD COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

6. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**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
Northeast Woodford County Water District
Versailles, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northeast Woodford County Water District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2022.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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.

Report on Compliance and Other Matters

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

Northeast Woodford County Water District's Response to Findings

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

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
March 26, 2022

NORTHEAST WOODFORD COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2021

FINDING:

2021-001 (Recurring)

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.

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

Cause: The District lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

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

Recommendation: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements on the accrual basis of accounting, including preparing all cash to accrual adjustments.

Management's Response: Management has determined that it is more cost effective to continue to engage the auditor to adjust the books to the accrual basis and to draft the financial statements and related notes. Management has reviewed and accepts responsibility for the adjustments and financial statements.