

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

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**FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

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Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
South Woodford Water District  
Versailles, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the South Woodford County Water District as of and for the years ended December 31, 2014 and 2013, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit 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 auditors' 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.

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### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the South Woodford County Water District, as of December 31, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *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 20, 2015, 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 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.

*Ray, Foley, Hensley, & Company*

Ray, Foley, Hensley, & Company, PLLC  
March 20, 2015

**SOUTH WOODFORD COUNTY WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31,**

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<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 85,380	\$ 99,073
Investments	48,000	48,000
Accounts receivable		
Customers, net	60,383	62,011
Other	58	58
Grant receivable	559	9,365
Accrued interest receivable	<u>45</u>	<u>66</u>
Total current assets	<u>194,425</u>	<u>218,573</u>
<b>Restricted assets</b>		
Cash and cash equivalents	210,489	205,878
Investments	<u>-</u>	<u>20,000</u>
<b>Fixed assets</b>		
Land	30,699	30,699
Property, plant and equipment	5,717,859	5,470,719
Less accumulated depreciation	(2,463,675)	(2,365,334)
Construction in progress	<u>-</u>	<u>15,434</u>
Total fixed assets	<u>3,284,883</u>	<u>3,151,518</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,689,797</u></u>	<u><u>\$ 3,595,969</u></u>
<b>LIABILITIES AND NET Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 43,499	\$ 41,486
Construction payable	-	8,806
Accrued liabilities	6,240	6,429
Accrued interest payable	20,874	21,658
Customer deposits	36,805	34,077
Current portion of bonds payable	<u>64,500</u>	<u>61,300</u>
Total current liabilities	<u>171,918</u>	<u>173,756</u>
<b>Long-term debt</b>		
Long-term debt	<u>1,052,867</u>	<u>1,117,867</u>
<b>Net position</b>		
Net invested in capital assets	2,167,516	1,972,351
Restricted	209,523	224,900
Unrestricted	<u>87,973</u>	<u>107,095</u>
Total net position	<u>2,465,012</u>	<u>2,304,346</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 3,689,797</u></u>	<u><u>\$ 3,595,969</u></u>

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

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

	<b>2014</b>	<b>2013</b>
<b>OPERATING INCOME</b>		
Water sales	\$ 799,834	\$ 756,849
Penalties	14,475	13,344
Other income	<u>8,142</u>	<u>5,243</u>
Total operating income	<u>822,451</u>	<u>775,436</u>
<b>OPERATING EXPENSES</b>		
Water purchases	406,087	359,333
Customer billing/bookkeeping	54,000	54,000
Meter reading	35,094	31,704
Salaries	34,573	35,268
Rent	10,084	9,600
Utilities	26,539	22,853
Repairs	48,808	54,022
Commissioners' fees	10,800	10,800
Payroll taxes	3,471	3,524
Insurance and bonds	13,411	16,875
Office supplies	9,592	8,650
Professional fees	13,009	8,766
Computer expenses	8,021	3,797
Miscellaneous	8,707	8,600
Regulatory commission expenses	<u>1,514</u>	<u>1,529</u>
Total operating expense	<u>683,710</u>	<u>629,321</u>
Operating income before depreciation	138,741	146,115
Depreciation expense	<u>(98,341)</u>	<u>(95,599)</u>
<b>OPERATING INCOME (LOSS)</b>	40,400	50,516
Non-operating income (expenses)		
Interest income	528	547
Interest expense	<u>(54,721)</u>	<u>(56,199)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(13,793)	(5,136)
Capital Contributions		
Tap fees	8,210	8,427
Grant revenues	<u>166,249</u>	<u>15,434</u>
Change in net position	160,666	18,725
Net position, beginning of year	<u>2,304,346</u>	<u>2,285,621</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,465,012</u>	<u>\$ 2,304,346</u>

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

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

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 826,807	\$ 781,989
Payments to suppliers	(580,053)	(527,353)
Payments for employee services and benefits	<u>(100,083)</u>	<u>(96,336)</u>
Net cash provided by operating activities	<u>146,671</u>	<u>158,300</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	183,265	14,496
Purchases of capital assets	(242,262)	(54,882)
Principal paid on capital debt	(61,800)	(58,700)
Interest paid on capital debt	<u>(55,505)</u>	<u>(56,830)</u>
Net cash (used) by capital and related financing activities	<u>(176,302)</u>	<u>(155,916)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from certificate of deposits	20,000	-
Interest income	<u>549</u>	<u>561</u>
Net cash provided by investing activities	<u>20,549</u>	<u>561</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(9,082)	2,945
Cash and cash equivalents at beginning of year	<u>304,951</u>	<u>302,006</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 295,869</u>	<u>\$ 304,951</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 40,400	\$ 50,516
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	98,341	95,599
Change in assets and liabilities:		
Receivables, net	1,628	4,335
Accounts and other payables	3,763	5,464
Accrued liabilities	(189)	168
Customer deposits	<u>2,728</u>	<u>2,218</u>
Net cash provided by operating activities	<u>\$ 146,671</u>	<u>\$ 158,300</u>

The accompanying notes are an integral part of the financial statements

**SOUTH WOODFORD COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

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**1. ORGANIZATION AND ACCOUNTING POLICIES**

The South Woodford County Water 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 Woodford County Fiscal Court to operate a water distribution system. The District is regulated by the Kentucky Public Service Commission.

The South Woodford County Water District's financial statements include the operations of all entities for which the District exercises oversight responsibilities. 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 South Woodford County Water District.

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

The District's financial statements are presented in conformity with GASB 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 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 or estimates of costs. Interest costs incurred during construction are capitalized as a cost of the project. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

Reserve for accounts receivable represents accounts past due more than thirty days that are thought to be uncollectible. The reserve balances were \$2,992 at December 31, 2014 and \$11,272 at December 31, 2013.

When both restricted and unrestricted resources are available for use, the District considers restricted fund to have been spent first.

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.

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

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

The District has evaluated and considered the need to recognize or disclose subsequent events through March 20, 2015; 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, 2014, have not been evaluated by the District.



**SOUTH WOODFORD COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

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**2. CASH AND INVESTMENTS**

The South Woodford County Water District deposits and investments at December 31, 2014 were entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name.

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, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

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

	<b>2014</b>	<b>2013</b>
Revenue Fund		
Cash – checking	\$ 59,327	\$ 78,459
Operation and Maintenance Fund		
Cash – checking	12,450	7,020
Customer Credit		
Cash – savings	<u>13,603</u>	<u>13,594</u>
Total cash and cash equivalents - unrestricted	<u>\$ 85,380</u>	<u>\$ 99,073</u>
Investments - unrestricted	<u>\$ 48,000</u>	<u>\$ 48,000</u>
Bond and Interest Reserve Fund		
Cash – savings	\$ 36,537	\$ 35,654
Cash – checking	4,048	439
Cash – money market	40,387	40,037
Cash – KRW 2007	20,902	21,189
Cash-construction	966	978
Depreciation Reserve Fund		
Cash-savings	<u>107,649</u>	<u>107,581</u>
Total cash and cash equivalents - restricted	<u>\$ 210,489</u>	<u>\$ 205,878</u>
Investments - restricted	<u>\$ -</u>	<u>\$ 20,000</u>

**Statement of Cash Flows**

The Statement of Cash Flows includes as cash and cash equivalents the following:

Cash and cash equivalents	\$ 85,380	\$ 99,073
Restricted cash and cash equivalents	<u>210,489</u>	<u>205,878</u>
	<u>\$ 295,869</u>	<u>\$ 304,951</u>

**SOUTH WOODFORD COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**3. FIXED ASSETS**

Portions of the District's fixed assets have been recorded at estimated cost. The District assumed ownership of extension lines constructed during 1974 through 1977 that were financed by the customers. Cost records were unavailable; therefore the extensions have been recorded at \$117,500 which is the total funds borrowed to finance the construction.

	<b>Balance 12/31/13</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 12/31/14</b>
Capital assets not depreciated:				
Land	\$ 30,699	\$ -	\$ -	\$ 30,699
Construction in Progress	<u>15,434</u>	<u>-</u>	<u>(15,434)</u>	<u>-</u>
Total	46,133	-	(15,434)	30,699
Capital assets that are depreciated:				
Cost of System	<u>5,470,719</u>	<u>247,140</u>	<u>-</u>	<u>5,717,859</u>
Less Accumulated Depreciation	<u>2,365,334</u>	<u>98,341</u>	<u>-</u>	<u>2,463,675</u>
Totals	<u>3,105,385</u>	<u>148,799</u>	<u>-</u>	<u>3,254,184</u>
Capital Assets, net	<u>\$ 3,151,518</u>	<u>\$ 148,799</u>	<u>\$ (15,434)</u>	<u>\$ 3,284,883</u>

**4. LEASE OBLIGATIONS**

The District entered into a lease agreement on April 2, 2013 to lease space on their water towers to Blue Zoom, Inc. for the purpose of mounting wireless internet transmission and receiving equipment. The initial term of the lease is three years beginning May 1, 2013 and ending on April 30, 2016. The lease is for \$200 per month for each tower leased.

**5. LONG TERM DEBT**

The District issued \$328,000 of "Waterworks System Revenue Bonds" dated January 1, 1997. The bonds bear interest at the rate of 5.5% and interest is payable on January 1 and July 1 of each year. Bonds mature serially on January 1 of each year. The U.S. Department of Agriculture, Rural Development holds all the bonds.

The District issued \$118,000 "Waterworks System Revenue Bonds," Series 1996 Series A dated January 1, 1997. The bonds bear interest at the rate of 5.375% and interest is payable on January 1 and July 1 of each year. Bonds mature serially on January 1 of each year. The U.S. Department of Agriculture, Rural Development holds all the bonds.

The District issued \$346,000 "Waterworks System Revenue Bonds", Series 1999 Series A and B dated January 1, 1999. The bonds bear interest at the rate of 4.375% and interest is payable on January 1 and July 1 of each year. Bonds mature serially on January 1 of each year. The U.S. Department of Agriculture, Rural Development holds all the bonds.

On January 30, 2007, the District entered into an assistance agreement with the Kentucky Rural Water Finance Corporation for a \$490,000 loan to help finance their Phase IV construction project. The loan bears interest at a rate of 4.050% – 4.425%.

**SOUTH WOODFORD COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**5. LONG TERM DEBT (CONTINUED)**

The following schedule presents the total debt service requirements over the remaining life of the issues:

Fiscal Year	Principal	Interest & Fees	Total
2015	\$ 64,500	\$ 52,984	\$ 117,489
2016	67,900	49,700	117,600
2017	73,100	46,243	119,364
2018	75,500	42,540	118,040
2019	67,800	38,687	106,487
2020-2024	263,867	153,394	417,261
2025-2029	251,400	86,052	337,452
2030-2034	154,600	37,266	191,866
2035-2039	85,200	14,516	99,716
2040	<u>14,000</u>	<u>591</u>	<u>14,591</u>
	<u>\$ 1,117,867</u>	<u>\$ 521,973</u>	<u>\$ 1,639,866</u>

The following is a summary of long term debt for the year ended December 31, 2014:

	Balance January 1, 2014	Issued	Principal Payments	Balance December 31, 2014
Series 1996-A	\$ 225,500	\$ -	\$ 10,500	\$ 215,000
Series 1996-B	71,800	-	4,400	67,400
Series 1999-A	250,000	-	5,000	245,000
Series 1999-B	44,700	-	900	43,800
Series 2001	174,167	-	26,000	148,167
Series 2007	<u>413,000</u>	<u>-</u>	<u>15,000</u>	<u>398,000</u>
	<u>\$ 1,179,167</u>	<u>\$ -</u>	<u>\$ 61,800</u>	<u>\$ 1,117,367</u>

**6. COMPLIANCE WITH BOND RESOLUTION**

The bond resolution requires the District to maintain certain reserves as follows:

Reserve Fund - This reserve is to receive a monthly transfer of \$890 until a balance of \$106,800 is accumulated. In addition, this reserve is to receive all proceeds collected from potential customers to aid 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 balance of this reserve was \$107,649 at December 31, 2014, and was \$107,581 at December 31, 2013.

Bond and Interest Sinking Fund - This component of the Reserve Fund is to receive a monthly transfer of 1/6 of the next interest due and 1/12 of the next principal due. This reserve can only be used to pay debt service on the bond issue. The balance of this reserve was \$101,874 at December 31, 2014, and was \$117,319 at December 31, 2013.

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



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

**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  
South 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 business-type activities of South Woodford County Water District, as of and for the year ended December 31, 2014, 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 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Woodford County Water 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 South Woodford County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 to be a material weakness (2014-1).

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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South 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 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***.

**South Woodford County Water District's Response to Findings**

South Woodford County Water District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. South Woodford County Water 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.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
March 20, 2015

**SOUTH WOODFORD COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014**

**FINDING:**

2014-1 (recurring)

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.

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 prepare the financial statements in conformity with generally accepted accounting principles.

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.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor and ensure compliance with generally accepted accounting principles.

**RESPONSE:**

This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.