

Warren County Water District
Notes to the Financial Statements

NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Alternative Measurement Method (AMM)
Measurement Date	December 31, 2018
Valuation Date	December 31, 2018
Reporting Date	December 31, 2018
Measurement Period	January 1, 2018 to December 31, 2018
Discount Rate	4.10%
General Inflation	3.00%
Salary Increases	2.50%
Health Care Cost Trend Rates	5.00%
Mortality	2014 United States Life Tables

This AMM valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 3.78% to 4.10%.

This AMM valuation reflects a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change.

Discount Rate

The discount rate used to measure the OPEB liability was 4.10% for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate changed from the prior measurement date. The discount rate was 3.78% for the December 31, 2016 measurement date.

Total OPEB Liability

	As of
	<u>December 31, 2018</u>
Actuarial Present Value of Future Benefits	
Retired - Employees/Spouses	\$ 235,739
Actives - Employees/Spouses	<u>2,438,551</u>
Total	<u><u>\$ 2,674,290</u></u>
Total OPEB Liability	
Retired - Employees/Spouses	\$ 235,739
Actives - Employees/Spouses	<u>1,223,551</u>
Total	<u><u>\$ 1,459,290</u></u>

Warren County Water District
Notes to the Financial Statements

NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Total OPEB Liability (Continued)

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, December 31, 2017	\$ 924,567
Changes for the year:	
Service cost	54,508
Interest in the total OPEB liability	35,620
Changes in benefits	406,050
Difference between expected and actual experience	136,938
Changes in assumptions	(24,914)
Benefit payments, including employee refunds	(73,479)
Net changes	534,723
Balance, December 31, 2018	\$ 1,459,290

OPEB Expense

	<u>Fiscal Year Ending December 31, 2018</u>
Service Cost	\$ 54,508
Interest on Total OPEB Liability	35,620
Effect of Plan Changes	406,050
Economic/Demographic (Gains)/Losses	136,938
Assumption Changes	(24,914)
OPEB Expense	\$ 608,202

Warren County Water District
Notes to the Financial Statements

NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Expected Remaining Service Lives

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

However, if using AMM procedures changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (3.10%) and 1-percentage-point higher (5.10%) than the current discount rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
District's total OPEB liability	\$ 1,567,979	\$ 1,459,290	\$ 1,345,325

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (4.00%) and 1-percentage-point higher (6.00%) than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Current Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
District's total OPEB liability	\$ 1,274,915	\$ 1,459,290	\$ 1,679,675

NOTE 9: OTHER EMPLOYEE BENEFITS

The District currently participates in 401(a) and 457(b) retirement plans through Transamerica Retirement Solutions Corporation. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to employees who have been employed for over one year and consists of a 3% contribution and a 100% matching contribution of up to 4% of the employee's base salary.

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2018, the District's accrued compensated absences for annual leave totaled \$324,005.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2018, the District's accrued compensated absences for sick leave totaled \$32,927.

NOTE 10: RISKS OF LOSS

The District's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

NOTE 11: COMMITMENTS

The District has entered into an agreement with an entity to develop the water and sewer system for their plant with a grant received from the Kentucky Cabinet for Economic Development ("KCED"). To meet the requirements of the KCED, the District had to place a surety with KCED for \$615,000 until July 1, 2025, which equals the cost of the grant. In turn, the Intermodal Transportation Authority agrees to return the surety in the form of water and sewer improvement if the entity does not meet the employment goals required by the grant agreement.

NOTE 11: COMMITMENTS (CONTINUED)

In August 2017, WCWD's Board of Commissioners approved the installation of an automated meter reading (AMR) system. The project will be installed on approximately 31,500 meters over a five year period and will collect consumption data using a radio based transmission system that will eliminate the need to physically read meters each month. The AMR system will include acoustic leak detection capabilities that will continuously monitor mains and service lines for water leaks. The estimated cost of the project is \$6,835,175 and will be funded by WCWD. The project started installation in February 2019 and is projected to be completed in December 2023. Total cost incurred as of December 31, 2018 is \$1,777,056.

The Morgantown Road Area Improvements Project "Hilltop Trail Tank" will replace the Briggs Hill standpipe with a new 200,000 gallon elevated tank at a higher elevation. The higher tank will result in more water pressure for customers in the area. There will also be a new pump station and communications building that will serve as an alternate site for SCADA operation in the event of an emergency that interferes with standard operations at the main office complex. The anticipated total cost of the project is \$1,500,000. Funding has been obtained through the Kentucky Infrastructure Authority. Total cost incurred as of December 31, 2018 is \$75,251.

The Plum Springs Area Sewer Rehabilitation Project will consist of lining approximately 32,000 linear feet of concrete and clay gravity sewer that has reached the end of its useful life. Approximately 18,000 feet of 8" sewer and 14,000 feet of large diameter sewer. The anticipated total cost of the project is \$3,056,000. Funding will consist of approximately \$645,000 from a Rural Development loan, \$2,000,000 from the Kentucky Infrastructure Authority, and \$411,000 of District funds. Total cost incurred as of December 31, 2018 is \$66,318.

The Memphis Junction Capacity Improvements Project will consist of installing approximately 5,500 linear feet of 16" PVC sewer force main to increase the pumping capacity of the Memphis Junction lift station. Funding will consist of approximately \$150,000 from the Kroger Corporation and \$600,000 of District funds. Total cost incurred as of December 31, 2018 is \$52,594.

The Nashville Road Relocations Project will consist of relocating approximately 35,000 linear feet of water line and a pump station to accommodate a Kentucky Transportation Cabinet road widening project. The anticipated total cost of the project is \$2,950,000. The Transportation Cabinet will fund approximately \$2,850,000 of the project cost and the District will contribute approximately \$100,000. Total cost incurred as of December 31, 2018 is \$143,792.

Warren County Water District
Schedule of Employer Required Contributions

RETIREMENT SECURITY PLAN

	Year 1 2018	Year 2 2017	Year 3 2016	Year 4 2015	Year 5 2014	Year 6 2013	Year 7 2012	Year 8 2011	Year 9 2010
Contractually Required Contribution	\$ 335,398	\$ 782,066	\$ 785,396	\$ 674,876	\$ 658,698	\$ 689,385	\$ 626,233	\$ 587,412	\$ 557,139

NOTE: This schedule is intended to present a ten-year trend per GASB 78. Additional years will be reported as incurred.

See required supplementary information notes.

Warren County Water District Notes to the Schedule of Employer Required Contributions

The table below summarized the District's contribution rates, contractually required contribution amounts, and factors significantly affecting contribution rates for the RS Plan.

Year	Contribution Rate	Contribution Amount Required and	Average Age	Factors Significantly Affecting Contribution Rate
2010	23.53	\$ 557,139	42	Actual 2008 investment return was significantly lower than assumed 8.5% expected annual return.
2011	23.53	\$ 587,412	42	
2012	23.98	\$ 626,233	43	Increase in the average age of District participants.
2013	25.89	\$ 689,385	43	Actual 2011 investment return was significantly lower than assumed 8.5% expected annual return.
2014	26.37	\$ 658,698	44	Increase in the average age of District participants.
2015	25.89	\$ 674,879	43	Decrease in the average age of District participants.
2016	27.17	\$ 785,396	44	Increase in the average age of District participants and lower than assumed 7.75% expected annual return.
2017	27.55	\$ 782,066	45	Increase in the average age of District participants.
2018	11.86	\$ 335,398	45	Decrease in the contribution rate due to prepayment of unfunded balance.

NOTE: This schedule is intended to present a ten-year trend per GASB 78. Additional years will be reported as incurred.

Warren County Water District
 Schedule of Change in the District's Total OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service cost	\$ 54,508
Interest	35,620
Changes of benefit terms	406,050
Difference between expected and actual experience	136,938
Changes of assumptions	(24,914)
Benefit payments	(73,479)
Net change in total OPEB liability	534,723
Total OPEB liability - beginning	924,567
Total OPEB liability - ending	\$ 1,459,290
Covered-employee payroll	3,326,296
District total OPEB liability as a percentage of covered-employee payroll	43.87%

NOTE: This schedule is intended to present a ten-year trend per GASB 75. Additional years will be reported as incurred.

Notes to Schedule

Changes of Benefit Terms

In 2018 there was a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change.

Changes of Assumptions

In 2018, the discount rate was increased from 3.78% to 4.10%.

Warren County Water District Schedule of Budgetary Comparison

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Metered water revenue	\$ 10,912,000	\$ 10,982,000	\$ 10,979,171	\$ (2,829)
Metered sewer revenue	3,854,000	3,929,000	3,911,615	(17,385)
Forfeited discounts	161,600	236,600	241,404	4,804
Miscellaneous service revenue	264,100	291,100	291,302	202
Other water revenue	8,000	8,000	7,911	(89)
Other sewer revenue	600	600	600	-
Interest income	144,700	209,700	209,840	140
Rental income - utility property	145,200	145,200	148,207	3,007
Non-utility income - recycling	51,300	51,300	51,855	555
Non-utility income - storm water	61,800	61,800	63,208	1,408
Non-utility income - miscellaneous	-	-	15,852	15,852
Disposition gains / (losses)	10,000	-	-	-
Total revenues	15,613,300	15,915,300	15,920,965	5,665
Expenses				
Salaries and wages	1,405,000	1,490,000	1,481,778	8,222
Commissioner fees	30,000	30,000	29,500	500
Fringe benefits	929,300	890,300	872,554	17,746
Purchased water	4,237,000	4,257,000	4,273,508	(16,508)
Sewage disposal	2,263,000	2,318,000	2,294,305	23,695
Purchased power	654,400	622,400	615,240	7,160
Chemicals	30,200	30,200	28,372	1,828
Materials and supplies	191,600	226,600	219,266	7,334
Contractual services - engineering	-	-	27	(27)
Contractual services - accounting	14,000	34,000	32,876	1,124
Contractual services - legal	10,000	15,000	10,941	4,059
Contractual services - other	599,900	694,900	690,666	4,234
Rental of building / property	60,000	60,000	57,832	2,168
Equipment expense	191,800	231,800	223,103	8,697
Insurance - general liability	76,000	76,000	75,928	72
Insurance - other	4,800	4,800	4,970	(170)
Regulatory expense	26,400	29,400	28,898	502
Bad debt expense	11,000	21,000	16,651	4,349
Miscellaneous expense	29,600	39,600	36,620	2,980
Total expenses	10,764,000	11,071,000	10,993,035	77,965

**Warren County Water District
Schedule of Budgetary Comparison**

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Other (Revenues) and Expenses				
Depreciation	3,589,000	3,644,000	3,641,220	2,780
Miscellaneous non-operating income	(6,000)	(16,500)	-	(16,500)
Interest expense	323,100	328,100	328,305	(205)
Unamortized debt expense	2,500	4,500	-	4,500
OPEB expense	50,900	51,900	175,054	(123,154)
Total other (revenues) expenses	3,959,500	4,012,000	4,144,579	(132,579)
Total expenses	14,723,500	15,083,000	15,137,614	(54,614)
Income before capital contributions	889,800	832,300	783,351	(48,949)
Capital contributions	3,640,500	5,908,300	7,013,198	1,104,898
Change in net position	\$ 4,530,300	\$ 6,740,600	\$ 7,796,549	\$ 1,055,949

Warren County Water District
Statement of Net Position by Division

December 31, 2018

	Water Division	Sewer Division	Eliminating Entries	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 4,742,350	\$ 4,493,180	\$ -	\$ 9,235,530
Accounts receivable:				
Customer accounts receivable, net of allowance for uncollectibles	515,092	191,769	-	706,861
Accounts receivable – Butler County Water System	113,615	-	-	113,615
Accounts receivable – Simpson County Water District	87,774	24	-	87,798
Accounts receivable – Water Division	-	344,956	(344,956)	-
Accounts receivable – Sewer Division	45,655	-	(45,655)	-
Other accounts receivable	105,751	68,385	-	174,136
Interest receivable	14,123	5,581	-	19,704
Materials and supplies inventory	620,835	-	-	620,835
Prepaid expenses	98,891	11,851	-	110,742
Total current assets	6,344,086	5,115,746	(390,611)	11,069,221
Non-current assets				
Utility Plant				
Utility plant in service	116,965,339	54,711,857	-	171,677,196
Construction in progress	3,518,434	447,870	-	3,966,304
Less accumulated depreciation	(40,736,833)	(12,839,611)	-	(53,576,444)
Total utility plant, net	79,746,940	42,320,116	-	122,067,056

Warren County Water District
Statement of Net Position by Division

<i>December 31, 2018</i>	Water Division	Sewer Division	Eliminating Entries	Total
Non-current assets (Continued)				
Restricted cash and equivalents	1,334,891	579,839	-	1,914,730
Restricted investments	3,069,111	2,040,599	-	5,109,710
Investments	644,000	250,000	-	894,000
Accounts receivable:				
Accounts receivable – Butler County Water System	137,248	-	-	137,248
Accounts receivable – Simpson County Water District	96,445	-	-	96,445
Accounts receivable – Sewer Division	187,943	-	(187,943)	-
Non-operating property, net of accumulated depreciation	165,856	-	-	165,856
Unamortized retirement security plan costs	1,459,772	-	-	1,459,772
Other assets	127,183	34,351	-	161,534
Total non-current assets	86,969,389	45,224,905	(187,943)	132,006,351
Total assets	\$ 93,313,475	\$ 50,340,651	\$ (578,554)	\$ 143,075,572

Warren County Water District
Statement of Net Position by Division

December 31, 2018	Water Division	Sewer Division	Eliminating Entries	Total
Liabilities				
Current liabilities				
Accounts payable	\$ 623,747	\$ 83,057	-	\$ 706,804
Accounts payable – Butler County Water Systems	6,920	-	-	6,920
Accounts payable – Simpson County Water District	7,874	-	-	7,874
Accounts payable – Water Division	-	45,654	(45,654)	-
Accounts payable – Sewer Division	344,956	-	(344,956)	-
Accrued expenses	797,702	27,337	-	825,039
Contractor advances for construction	80,600	42,700	-	123,300
Current portion of long-term debt	330,910	227,050	-	557,960
Total current liabilities	2,192,709	425,798	(390,610)	2,227,897
Non-current liabilities				
Long-term Obligations				
Bonds and loans payable	1,913,000	468,500	-	2,381,500
Notes payable	4,822,149	1,739,792	-	6,561,941
Less: Net unamortized bond (discount) premium	(26,553)	-	-	(26,553)
Less: Current portion of long-term debt	(330,910)	(227,050)	-	(557,960)
Net long-term obligations	6,377,686	1,981,242	-	8,358,928
Accounts payable	-	187,944	(187,944)	-
Customer meter deposits	1,020,771	286,052	-	1,306,823
Rebates payable	2,153,917	2,703,040	-	4,856,957
Unearned revenue for cellular leases	71,014	-	-	71,014
Other post employment benefit obligation	1,459,290	-	-	1,459,290
Total non-current liabilities	11,082,678	5,158,278	(187,944)	16,053,012
Total liabilities	13,275,387	5,584,076	(578,554)	18,280,909

Warren County Water District
Statement of Net Position by Division

December 31, 2018

	Water Division	Sewer Division	Eliminating Entries	Total
Net Position				
Net investment in capital assets	73,204,200	40,111,824	-	113,316,024
Restricted	2,663,455	2,021,373	-	4,684,828
Unrestricted	4,170,433	2,623,378	-	6,793,811
Total net position	80,038,088	44,756,575	-	124,794,663
Total liabilities and net position	\$ 93,313,475	\$ 50,340,651	\$ (578,554)	\$ 143,075,572

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

Year Ended December 31, 2018	Water Division	Sewer Division	Eliminating Entries	Total
Operating Revenues				
Metered sales				
Residential	\$ 7,140,043	\$ 1,552,846	-	\$ 8,692,889
Commercial	3,839,128	2,358,769	-	6,197,897
Total metered sales	10,979,171	3,911,615	-	14,890,786
Forfeited discounts	169,573	71,831	-	241,404
Miscellaneous service revenue	270,975	28,838	-	299,813
Total operating revenues	11,419,719	4,012,284	-	15,432,003
Operating Expenses				
Source of supply expense				
Purchased water	4,273,508	-	-	4,273,508
Sewage disposal	-	2,294,305	-	2,294,305
Total source of supply expense	4,273,508	2,294,305	-	6,567,813
Pumping plant expense				
Salaries and benefits	-	86	-	86
Power purchased	469,615	133,130	-	602,745
Chemicals	-	28,372	-	28,372
Miscellaneous pumping expense	34	-	-	34
Contractual services	4,110	4,110	-	8,220
Rental expense	4,933	-	-	4,933
Insurance	10,551	3,636	-	14,187
Total pumping plant expense	489,243	169,334	-	658,577

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

Year Ended December 31, 2018	Water Division	Sewer Division	Eliminating Entries	Total
Operating Expenses (Continued)				
Transmission and distribution expense				
Salaries and benefits	546,787	89,371	-	636,158
Power purchased	12,495	-	-	12,495
Contractual services	125,973	50,823	-	176,796
Rental expense	18,966	-	-	18,966
Transportation	91,864	17,677	-	109,541
Insurance	44,840	2,117	-	46,957
Materials and supplies	153,289	22,060	-	175,349
Total transmission and distribution expense	994,214	182,048	-	1,176,262
Customer accounts expense				
Salaries and benefits	970,676	99,826	-	1,070,502
Contractual services	210,963	48,697	-	259,660
Uncollectible accounts	15,877	774	-	16,651
Rental expense	28,988	-	-	28,988
Transportation	100,681	93	-	100,774
Insurance	5,275	2,117	-	7,392
Miscellaneous	7,010	85	-	7,095
Materials and supplies	8,835	209	-	9,044
Total customer accounts expense	1,348,305	151,801	-	1,500,106

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

Year Ended December 31, 2018

	Water Division	Sewer Division	Eliminating Entries	Total
Administrative and general expense				
Salaries and benefits	610,800	211,840	-	822,640
Office supplies	31,622	3,263	-	34,885
Commissioner fees	14,750	14,750	-	29,500
Contractual services	247,696	42,138	-	289,834
Insurance	7,760	4,602	-	12,362
Rental expense	4,945	-	-	4,945
Regulatory commission expense	21,080	7,818	-	28,898
Miscellaneous	22,914	6,577	-	29,491
Transportation	12,713	63	-	12,776
Total administrative and general expense	974,280	291,051	-	1,265,331
Depreciation	2,529,988	1,106,685	-	3,636,673
Total operating expenses	10,609,538	4,195,224	-	14,804,762
Operating income	810,181	(182,940)	-	627,241
Non-Operating Revenues (Expenses)				
Interest income	120,774	89,066	-	209,840
Rental income	129,190	19,017	-	148,207
Non-utility income	119,404	11,511	-	130,915
Interest expense	(251,570)	(81,282)	-	(332,852)
Total non-operating revenues (expenses)	117,798	38,312	-	156,110

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

Year Ended December 31, 2018	Water Division	Sewer Division	Eliminating Entries	Total
Income before capital contributions	927,979	(144,628)	-	783,351
Capital contributions	3,659,208	3,353,990	-	7,013,198
Change in net position	4,587,187	3,209,362	-	7,796,549
Total net position – beginning of year, as previously reported	76,251,550	41,547,213	-	117,798,763
Effect of adoption of GASB 75	(800,649)	-	-	(800,649)
Total net position – beginning of year, as restated	75,450,901	41,547,213	-	116,998,114
Total net position – end of year	\$ 80,038,088	\$ 44,756,575	\$ -	\$ 124,794,663



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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***

Board of Commissioners
Warren County Water District
Bowling Green, 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 Warren County Water District (the "District"), a component unit of Warren County, Kentucky, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2019.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Carr, Riggs & Ingram, L.L.C.



Carr, Riggs & Ingram, LLC

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April 16, 2019

To the Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

We are pleased to present the results of our audit of the December 31, 2018 financial statements of the Warren County Water District (the "District"), a component unit of Warren County, Kentucky.

This report to the Board of Commissioners and management summarizes our audit, the report issued and various analyses and observations related to the District's accounting and reporting. The document also contains the communications required by our professional standards.

Our GAAP audit was designed, primarily, to express an opinion on the District's December 31, 2018 financial statements. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the District's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the use of management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 270-782-0700 or lwhite@cricpa.com.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC



Required Communications

As discussed with the Board of Commissioners and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the District. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Commissioners, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, in order to express an opinion on the District's financial statements for the year ended December 31, 2018;
- Communicate directly with the Board of Commissioners and management regarding the results of our procedures;
- Address with the Board of Commissioners and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Commissioners and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the District for the year ended December 31, 2018, and have issued our report thereon dated April 16, 2019. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	<p>We have audited the financial statements of the District for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, <i>Government Auditing Standards</i> and Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated November 15, 2018. Professional standards also require that we communicate to you the following information related to our audit.</p>
Client's responsibility	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
Planned scope and timing of the audit	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates, & CRI Comments on Quality."</p>
Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the District and how they are disclosed.</i>	<p>No such risks or exposures were noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the District's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the District in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>The District implemented GASB Statement No. 75 during the year ended December 31, 2018, see further detail at Note 8. There were no transactions that lacked authoritative guidance or consensus noted during the audit.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None noted.
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None noted.
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None noted.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None noted.
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the District, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None noted.
<p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	See "Internal Control Findings" section and reports for Government Auditing Standards.
<p>Fraud and illegal acts</p> <p><i>Fraud involving senior management of the District or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Other Matters <i>Required supplementary information and supplementary information that will accompany the basic financial statements.</i></p>	<p>We applied certain limited procedures to Management's Discussion and Analysis and select pension and OPEB information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p> <p>We were engaged to report on the Schedule of Budgetary Comparison, Statement of Net Position by Division, and Statement of Revenues, Expenses, and Changes in Net Position by Division, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>

Accounting Policies, Judgments and Sensitive Estimates, & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the District's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
OPEB Liability	The District follows guidance as defined in GASB Statement No. 75 relating to other postemployment benefits reporting for employers.	X	The total OPEB liability is determined by an actuary and agreed to the audit of the OPEB liability.	Guidelines appear properly followed.

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the District or passed (uncorrected).

Recorded Adjustments

There were no recorded adjustments as a result of our audit procedures.

Passed Adjustments

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

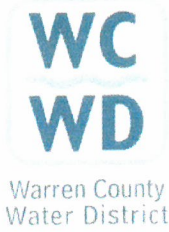
- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the District's operating environment that has been identified as playing a significant role in the District's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

Summary of Passed Audit Adjustments

Effect on Financial Statements — Over (Under) Statement

Description	Amount of Difference	Total			Net			Change in Net Position
		Total Assets	Total Liability	Position	Revenues	Expenses	Position	
To record December 2018 unbilled water revenue and accounts receivable.	\$ 408,021	\$(408,021)	\$ -	\$(408,021)	\$(408,021)	\$ -	\$(408,021)	
To record offsetting effects of December 2017 unbilled water revenue and accounts receivable.	415,817	-	-	-	415,817	-	415,817	
To remove impaired assets that have not been in use since 1999.	165,856	165,856	-	-	-	-	-	
To record unbilled purchased water and sewage disposal expense and accounts payable at current year end	495,600	-	(495,600)	495,600	-	(495,600)	495,600	
To record unbilled purchased water and sewage disposal expense and accounts payable at prior year end	451,026	-	-	-	-	451,026	(451,026)	
Net Effect		\$(242,165)	\$(495,600)	\$ 252,435	\$ 7,796	\$ (44,574)	\$ 52,370	

Management Representation Letter



April 16, 2019

Carr, Riggs & Ingram, LLC
PO Box 104
Bowling Green, KY 42102-0104

This representation letter is provided in connection with your audit of the financial statements of the Warren County Water District (the "District"), which comprise the financial position as of December 31, 2018, and the changes in financial position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 16, 2019 the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 15, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

Management Representation Letter

Carr, Riggs & Ingram, LLC
Page 2

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements and immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Management Representation Letter

Carr, Riggs & Ingram, LLC
Page 3

- 14) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

Management Representation Letter

Carr, Riggs & Ingram, LLC
Page 4

- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) In regard to the preparation of financial statements and related notes services performed by you, we have—
 - a) Assumed all management responsibilities.
 - b) Designated Jeff Peeples, who has (have) suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
- 29) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

Management Representation Letter

Carr, Riggs & Ingram, LLC

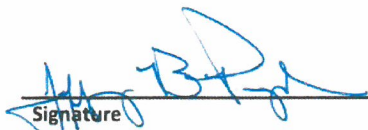
Page 5

- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Internal and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Management Representation Letter

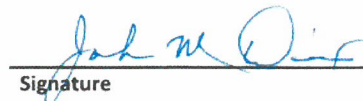
Carr, Riggs & Ingram, LLC
Page 6

- 45) With respect to the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division:
- a) We acknowledge our responsibility for presenting the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.



Signature
MANAGER OF FINANCE

Title



Signature
General Manager

Title



Carr, Riggs & Ingram, LLC

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To the Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

In planning and performing our audit of the financial statements of Warren County Water District ("the District"), a component unit of Warren County, Kentucky, as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

We included in the accompanying table control deficiencies and other internal control recommendations for management and the Board of Commissioners' consideration.

This communication is intended solely for the use of the Board of Commissioners and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 16, 2019

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
1	D	Disbursements	There is a lack of segregation of duties between those who are authorized to set up EFT payments to vendors and those who record the EFT payments to the general ledger.	The individual authorized to set up EFT payments should not have access to the general ledger.	EFT payments will be reconciled by an individual without accounts payable access.
2	D	Disbursements	There is a lack of segregation of duties between those who have access to the general ledger and those who are authorized to sign checks.	Individuals who have access to the general ledger should not be authorized to sign checks.	Authorized check signers will be updated to those without general ledger access.
3	D	Meter Reading	There is a lack of documentation of the review of meter reading exception reports.	Review of the meter reading exception reports should be documented.	A daily log book will be created to document when meter reading exception reports are reviewed.
4	D	Disbursements	In our testing of 25 disbursements, we noted one invoice belonging to Butler County Water System was incorrectly recorded to WCWD’s general ledger and paid with WCWD’s checks.	Related party expenses should not be paid by or recorded to Warren County Water District.	Invoice coding procedures have been reviewed with the purchasing agent, accounts payable clerk, and management staff.

Internal Control Findings

ITEM	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
5	D	Debt Covenant Compliance	On one debt issue, we noted the debt service sinking fund account for the water division does not meet minimum debt covenant requirements. Subsequent to year-end, the sinking fund was increased to pay the January 2019 debt service payment.	The debt service sinking fund account should be increased to meet minimum debt covenant requirements.	The debt service sinking fund account will be increased to meet covenant requirements.

Join Our Conversation



WEBSITE (CRIcpa.com)

CRI's website features financial calculators, current tax and estate tax guides, a record retention schedule, glossary of common financial terms, and hundreds of articles with topics ranging from current legislation to industry-specific news.



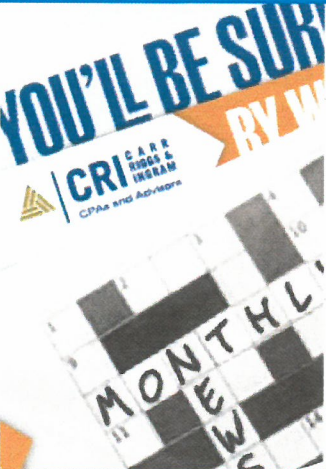
BLOG SITE (blog.CRIcpa.com)

Featuring articles and videos, CRI's interactive blog site provides helpful tips for readers both personally and professionally. Written by our partners from their perspective and experiences, these plain English explanations of current regulations and trends exemplify our commitment to open dialogue.



CRInsights (CRIcpa.com)

We understand that just because a topic makes perfect sense to a CPA doesn't mean that it will to our clients. That's why we developed CRInsights, our in-depth yet down-to-earth explanations of complex topics.



NEWSLETTER (Sign up at CRIcpa.com)

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular recent topics include:

- Reportable Health Care Coverage on W-2s
- Navigating Alternative Minimum Tax (AMT)
- Key Considerations of Health Care Law
- Six Commandments of Estate Planning