



DAMON R. TALLEY
PH: 270-358-3187
FAX: 270-358-9560
damon.talley@skofirm.com

PO Box 150
112 N. LINCOLN BLVD.
HODGENVILLE, KY 42748

August 20, 2026

Mr. Justin McNeil
Executive Director
Kentucky Public Service Commission
Frankfort, Kentucky 40602-0615

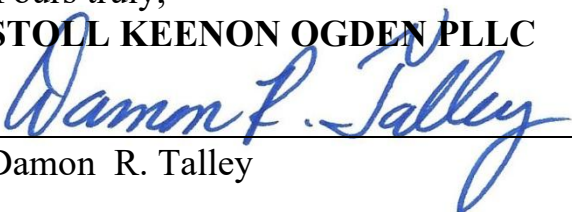
RE: Case No. 2026-00232
(Training or Certification)
Kentucky Rural Water Association

Dear Mr. Justin McNeil:

Enclosed for filing in the above referenced matter is Kentucky Rural Water Association's Application for accreditation of a water training program.

Should you need any additional information, please let me know.

Yours truly,
STOLL KEENON OGDEN PLLC


Damon R. Talley

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF	)	
KENTUCKY RURAL WATER	)	
ASSOCIATION FOR ACCREDITATION	)	CASE NO. 2026-00232
APPROVAL OF COMMISSIONER	)	
TRAINING AND CONTINUING	)	
EDUCATION CREDIT	)	

APPLICATION

Kentucky Rural Water Association (“KRWA” or the “Applicant”) applies for an Order from the Public Service Commission accrediting and approving a proposed water district commissioner training program for continuing education credit pursuant to KRS 74.020(6) and (7) and 807 KAR 5:070.

In support of its application, KRWA states:

1. KRWA is a non-profit corporation incorporated in the Commonwealth of Kentucky pursuant to KRS Chapter 273 on March 19, 1979 and is currently in good standing.
2. KRWA’s mailing address is: 1151 Old Porter Pike, Bowling Green, Kentucky 42103. Its email address is: k.jessup@krwa.org.
3. KRWA was organized to foster professionalism in the water and wastewater industry through non-regulatory training, technical assistance programs, and advocacy. Its membership consists of water districts, water associations, municipalities

with populations of 10,000 persons or less, and other similar entities that provide water and wastewater utility services to rural Kentucky.

4. Pursuant to 807 KAR 5:001, Section 4(8),¹ copies of all orders, pleadings, and other communications related to this proceeding should be directed to:

Damon Talley
Stoll Keenon Ogden PLLC
112 North Lincoln Boulevard
PO Box 150
Hodgenville, Kentucky 42748
Telephone: (270) 358-3187
Fax: (270) 358-9560
damon.talley@skofirm.com

Kenzie Jessup
Kentucky Rural Water Association
1151 Old Porter Pike
Bowling Green, KY 42103
(270) 843-2291
Fax: (270) 796-8623
k.jessup@krwa.org

5. KRWA proposes to sponsor and conduct a water management training program on September 19, 2026 at the Purchase Area Development District, in Mayfield, Kentucky. The program is entitled “Water Commissioner Training.” A copy of the proposed agenda is attached to this Application at **Exhibit 1**.

6. As reflected in **Exhibit 1**, the proposed training program will include presentations on the following topics:

¹ On July 20, 2026, KRWA gave notice pursuant to 807 KAR 5:001, Section 8, of its intent to file this application and of its use of electronic filing procedures.

- a. **Updates Affecting Kentucky Utilities.** Reviews recent Kentucky legislation affecting public utilities, compliance with Public Service Commission Orders, board meeting minutes, utility borrowing, PSC investigations, and recent court and PSC decisions. The presentation provides an overview of current regulatory issues and considerations applicable to water and wastewater utilities;
- b. **Cyber Hygiene.** This presentation provides water commissioners with an overview of common cybersecurity threats facing utilities, including phishing, ransomware, weak passwords, and outdated systems. Participants will learn practical steps commissioners can take to promote cybersecurity awareness, protect utility information, and reduce the risk of costly cyber incidents;
- c. **Understanding Tariffs.** Explains when utility tariffs should be updated, the legal significance of approved tariffs, and the proper process for revising tariff provisions. The presentation also addresses tariff filing requirements, customer notice, nonrecurring charges, and common filing issues that utilities should consider when reviewing or revising their tariffs;
- d. **Can I Do That? A Practical Guide to Open Records & Meetings.** This presentation provides an overview of Kentucky's Open Records and Open Meetings Acts and their application to water utility boards. Commissioners will review public records, meeting requirements, closed sessions, special meetings, and common compliance issues;

e. **Internal Controls.** Addresses the importance of effective internal controls in safeguarding utility assets, maintaining reliable financial records, and reducing the risk of fraud. The presentation reviews segregation of duties, cash receipt and disbursement controls, reconciliations, authorization procedures, and the role of the governing body in providing financial oversight.

7. The proposed training program consists of six hours of instruction and should be accredited and approved as water management training satisfying the requirements set forth in KRS 74.020(7) to establish a water district commissioner's eligibility for a maximum annual salary of \$6,000. **KRWA is not requesting that the proposed training program be accredited as a program of instruction for newly appointed commissioners.**

8. A biographical statement containing the name and relevant qualifications and credentials for each presenter is attached at **Exhibit 2** of this application.

9. The PowerPoints for these presentations are attached at **Exhibit 3**. A copy of these presentations will be provided to each attendee. Should a presenter revise or amend his or her presentation prior to their scheduled session or provide additional written materials for the attendees, KRWA will include a copy of the revised presentation with its sworn statement and report regarding the instruction.

10. KRWA will apply or will shortly apply for accreditation of the proposed training program to the Department of Environmental Protection (Kentucky Operator Certification Program).

11. KRWA has sent notice of the proposed training program by electronic mail

to the water districts, water associations, and municipal utilities that are under Commission jurisdiction as well as representatives of investor-owned utilities, county judge/executives, county attorneys and others who are believed to have an interest in the proposed program's subject matter.

12. KRWA will retain a record of all water district commissioners attending the proposed training program.

13. Within the Ordered number of days of the proposed training program's completion, KRWA will file with the Public Service Commission a sworn statement:

- a. Attesting that the accredited instruction was performed;
- b. Describing any changes in the presenters or the proposed program curriculum that occurred after certification; and,
- c. Containing the name of each attending commissioner, their utility and the number of hours that he or she attended.

14. KRWA will include with the sworn statement documentary evidence of the program's certification by certifying authorities and a copy of any written material given to the attendees that has not been previously provided to the Public Service Commission.

15. KRWA will admit representatives of the Public Service Commission to the proposed training program at no charge to permit such representatives to assess the quality of the program's instruction, monitor the program's compliance with the Public Service Commission directives, regulations, or other requirements, or perform

any other supervisory functions that the Public Service Commission deems necessary.

WHEREFORE, KRWA requests that the Commission approve and accredit the proposed training program entitled “Water Commissioner Training” for six hours of water district management training.

Dated: August 20, 2026

Respectfully submitted,



Damon R. Talley
Stoll Keenon Odgen PLLC
112 North Lincoln Boulevard
PO Box 150
Hodgenville, Kentucky 42748
Telephone: (270) 358-3187
Fax: (270) 358-9560
damon.talley@skofirm.com

Counsel for Kentucky Rural Water
Association

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that this document was submitted electronically to the Public Service Commission on August 21, 2026, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.



Damon R. Talley

EXHIBIT 1

WATER COMMISSIONER TRAINING

PSC Water District Management Training Agenda

Purchase Area Development District • 1002 Medical Drive • Mayfield,
Kentucky 42066

Presented by Kentucky Rural Water Association • Saturday, September 19, 2026

Program Purpose

This six-hour program is designed to strengthen the practical knowledge water district commissioners need to carry out their governance, fiduciary, regulatory, and oversight responsibilities. Sessions focus on current utility regulatory developments, cybersecurity risk oversight, tariff administration, Kentucky open records and open meetings requirements, and internal financial controls. Instruction is structured around decisions commissioners may encounter in board service and the responsibilities of a governing body to provide informed, lawful, and accountable oversight of a public utility.

MORNING SESSIONS

7:55 – 8:00 a.m. | Welcome and Program Overview

Jason Pennell, Kentucky Rural Water Association

Opening remarks will review the purpose of the training, the day's instructional topics, and the connection between each session and a commissioner's responsibility to provide effective oversight of a regulated water utility.

8:00 – 9:00 a.m. | Updates Affecting Kentucky Utilities

Jason Pennell, Kentucky Rural Water Association

This session reviews recent legal and regulatory developments that affect Kentucky water utilities and the boards that govern them. Topics include recent Kentucky legislation, compliance with Public Service Commission orders, the importance and content of board meeting minutes, utility borrowing and financing considerations, PSC investigations, and significant recent court or Commission decisions. Emphasis will be placed on how these developments affect board actions, documentation, regulatory compliance, and the commissioner's duty to make well-informed decisions on behalf of the utility and its customers.

Commissioner learning outcomes: Recognize current regulatory issues that may require board attention; identify governance practices that support compliance; and understand how PSC orders, financing decisions, investigations, and legal developments can affect utility operations.

9:00 – 9:15 a.m. | Break

9:15 – 10:15 a.m. | Cyber Hygiene – Part 1 of 2

Matt Folker, ISTT, Inc.

Part 1 introduces cybersecurity as a governance and operational risk for public utilities. Commissioners will examine common threats facing water systems, including phishing, ransomware, credential theft, weak or reused passwords, social engineering, unpatched software, and outdated technology. The session will explain how cyber incidents can interrupt utility operations, expose sensitive information, create financial losses, and affect public confidence. Special attention will be given to the board's role in establishing expectations for cyber awareness, risk management, and responsible access to utility systems and information.

Commissioner learning outcomes: Identify common cyber threats; explain why cybersecurity is a board-level risk; and recognize practical governance questions commissioners should ask management about cyber preparedness.

10:15 – 10:30 a.m. | Break

10:30 – 11:30 a.m. | Cyber Hygiene – Part 2 of 2

Matt Folker, ISTT, Inc.

Part 2 builds on the threat awareness introduced in Part 1 and focuses on practical safeguards and response readiness. Topics include password and account practices, multifactor authentication, software and device updates, backups, employee awareness, vendor access, incident reporting, and basic response planning. Commissioners will consider how policies, training, budgeting, and management accountability can reduce organizational risk and improve the utility's ability to continue serving customers during and after a cyber incident.

Commissioner learning outcomes: Evaluate basic cyber safeguards from an oversight perspective; recognize the importance of incident readiness and continuity planning; and identify actions a governing board can support to reduce cyber risk.

11:30 a.m. – 12:30 p.m. | Lunch (No Training Credit)

AFTERNOON SESSIONS

12:30 – 1:30 p.m. | Understanding Tariffs

Jason Pennell, Kentucky Rural Water Association

This session explains the role of a utility's PSC-approved tariff as an authoritative statement of rates, charges, rules, and conditions of service. Commissioners will review when tariffs should be updated, the legal and operational importance of following approved tariff provisions, and the appropriate process for proposing revisions. The session also addresses filing requirements, customer notice, nonrecurring charges, consistency between utility practices and approved tariff language, and common filing or implementation issues that can create compliance problems.

Commissioner learning outcomes: Understand why utility practices must conform to approved tariffs; recognize circumstances that may require tariff revision; and identify the commissioner's oversight role in reviewing rates, charges, service rules, and proposed tariff changes.

1:30 – 1:45 p.m. | Break

1:45 – 2:45 p.m. | Can I Do That? A Practical Guide to Open Records & Meetings

Glenn D. Denton, Denton Law Firm PLLC

This practical legal session reviews Kentucky's Open Records Act and Open Meetings Act as they apply to water utility boards. Commissioners will examine what constitutes a public record, responsibilities for responding to records requests, notice and conduct requirements for regular and special meetings, quorum and deliberation issues, appropriate use of closed sessions, and documentation of board actions. Common compliance mistakes and realistic board scenarios will be used to help commissioners distinguish permissible practices from actions that may expose the utility or board to legal challenge.

Commissioner learning outcomes: Recognize core open records and open meetings obligations; distinguish permissible closed-session topics from matters that require public deliberation; and apply basic compliance principles to common board situations.

2:45 – 3:00 p.m. | Break

3:00 – 4:00 p.m. | Effective Internal Controls

Jason Pennell, Kentucky Rural Water Association

This session addresses the governing board's responsibility to promote sound financial stewardship and protect utility assets through effective internal controls. Commissioners will review segregation of duties, controls over cash receipts and disbursements, bank and account reconciliations, purchasing and authorization procedures, documentation standards, fraud prevention, and management reporting. The presentation will also discuss how commissioners can provide meaningful financial oversight without assuming day-to-day management responsibilities, including the types of reports, questions, and follow-up actions that support accountability.

Commissioner learning outcomes: Identify foundational internal controls; recognize common weaknesses that increase financial or fraud risk; and understand how board review, authorization, reporting, and follow-up contribute to responsible financial governance.

EXHIBIT 2

Jason Pennell
Compliance Specialist - Kentucky Rural Water Association



Jason Pennell joined the Kentucky Rural Water Association staff in August 2017 as a project specialist. His work has focused on the Energy Program, compliance issues, and other training and technical assistance programs. His water and wastewater experience began in Whitesburg in 2005, where he served in roles including meter reader, water treatment plant operator, laboratory manager, operations manager, and chief operator. From 2014 to 2017, Jason was a Utility and Regulatory Investigator for the Kentucky Public Service Commission. He holds Kentucky certifications as a Class IIIA Water Treatment Operator, Class II Water Distribution Operator, Class II Wastewater Treatment Operator, and Class II Collection System Operator, and he is certified in Pipeline and Manhole Assessment by NASSCO.

Matt Folker

Chief Information Officer - ISTT, Inc., Bowling Green, Kentucky



Matt Folker is the Chief Information Officer for ISTT, Inc. in Bowling Green, Kentucky. He has spent more than 12 years helping businesses and government agencies strengthen cybersecurity awareness, protect sensitive information, and better understand the tools and practices needed to reduce cyber risk. His work focuses on managed IT services, cybersecurity, compliance, and practical technology solutions that help organizations operate securely and efficiently. He is passionate about keeping Kentucky organizations informed on current regulations and technologies that help business move forward.

Glenn D. Denton
Partner - Denton Law Firm, PLLC



Glenn D. Denton is a partner with Denton Law Firm, PLLC in Paducah, Kentucky. He began his legal career in 1995 after graduating from Paducah Tilghman High School, Centre College, and Northern Kentucky University's Salmon P. Chase College of Law. Over the course of his career, he has developed broad civil-law experience and has handled numerous matters through trial and verdict. His practice includes counseling clients to help avoid litigation, representing individuals, businesses, cities, and counties, and providing legal services in areas such as business and corporate law, commercial law, banking, real estate, municipal law, estate planning, employment matters, and litigation.

EXHIBIT 3

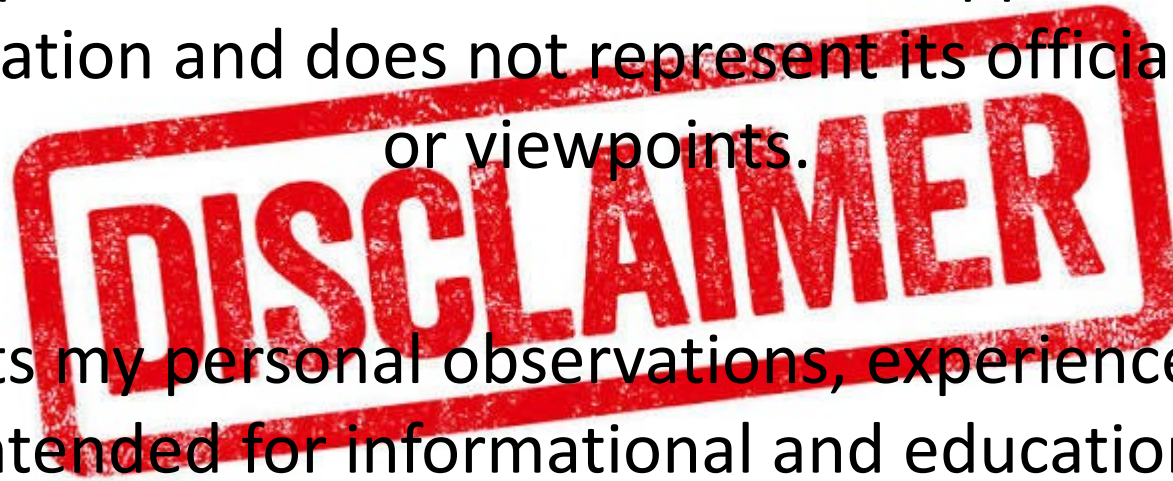
Updates Affecting Kentucky Utilities

Jason Pennell
Kentucky Rural Water Association



Disclaimer

The views, opinions, and interpretations expressed in this presentation are solely my own and are presented in my personal capacity. This presentation has not been prepared, reviewed, endorsed, or approved by the Kentucky Rural Water Association and does not represent its official positions, policies, or viewpoints.



The content reflects my personal observations, experiences, and professional opinions and is intended for informational and educational purposes only. Any references to industry practices, regulations, or guidance are based on my own understanding and should not be construed as official guidance or policy of the Kentucky Rural Water Association.

Topics

- PSC Filings
- 2026 General Assembly
 - Notable PSC Orders
 - Minutes
- Comply with PSC Orders
 - Borrowing Money

Notable House Bills

- HB 103 Fluoride
- HB 392 Bidding Threshold Increased
- HB 542 Eminent Domain (Condemnation)

Fluoride

- “Local Option”
 - Decision to Have Drinking Water Fluoridation Program Will Be Optional
 - Local Control
 - Decision Made by Governing Board of Water Producer

Fluoride

- Immunity Granted to Water Producer
 - Passed House: 67 to 29 (2-5-26)
 - Senate: Died
- Committee on Committees (2-6-26)

Bidding Threshold

- Raises Threshold from \$40,000 to \$50,000
 - Amends KRS 424.260 & KRS 45A
 - Threshold Increases By \$10,000 on 1-1-30 and Every Five Years After

Bidding Threshold

- Passed House: 97 to 0
- Passed Senate: 38 to 0
- Governor Signed: 4-7-26

Eminent Domain

- Limits Condemnation of Land Subject to Conservation Easement or Agricultural District
 - Utilities Exempt from Portions of these Requirements
 - Does Not Interfere with Agricultural Operations or Infrastructure

Eminent Domain

- All Condemnation Actions
 - Independent Appraisal – 60 Days
 - Utility May Be Required to Pay Landowner's Costs & Attorney Fees
 - Additional Notice Requirements
 - More Hurdles

Eminent Domain

- Passed House: 90 to 0
- Passed Senate: 38 to 0
- Governor Signed: 4-13-26
- Emergency Declared: 4-13-26

Notable Senate Bills

- SB 8 PSC Changes
- SB 344 Mergers
- SJR 75 Affordability Study

PSC Changes

- What Does It Do?
- From 3 to 5 Commissioners
 - Governor – Appoints All 5
- Chair Elected by Commissioners
 - Four Year Term
- Specific Qualifications
 - Must Have 2 Attorneys

PSC Changes

- Political Diversity
- Term Limits: 3 Terms
- Executive Director
- Now: Appointed by Gov.
 - SB8: Appointed by Commissioners
 - SB8: Senate Confirmation
 - Many Other Administrative Changes

PSC Changes

- Attorney Gen. Still Has Statutory Right to Intervene
- Intervention by Others
 - Does Not Curtail this Right
 - “Special Interest” Not Otherwise Adequately Represented
 - Original Bill Almost Abolished Right to Intervene

PSC Changes

- Effective: 4-14-26
- Governor Has Until 5-14-26 to Appoint 2 Commissioners

Mergers

- Gives Fiscal Courts Right to Request PSC to “Study” Merger of Water Districts Within Its County
 - PSC Then Required to
 - Conduct Study
 - Prepare Feasibility Report
- PSC Already Has This Authority

Mergers

- Introduced: 03-02-26
By Senator Gex Williams
 - Status: 03-02-26
 - Never Assigned to Committee
- Died w/o Committee Hearing

Affordability

- What Does It Do?
- Requires PSC to Study Affordability
 - Low & Fixed Income Individuals
 - Reduce Disconnections
- PSC Open Administrative Case
 - All Utilities
 - Data Requests
- Report to Legislature: 9-1-27

Affordability

- Introduced: 3-02-26
- Passed Senate: 36 to 0 (3-13-26)
- No Vote in House

PSC Assessment Increase

- PSC Financed by Assessment on Utility Revenues
- Current Rate: 1.595 mills (\$1,590 per \$1,000,000 Revenue)
- New Rate: 2.300 mills (\$2,300 per \$1,000,000 Revenue)
 - 45% Increase



PSC Orders

- PSC Case No. 2024-286
- Filed: 10-18-2024
- Utility: Warren County WD
- Type: CPCN – Construct Headquarters
- Decided: 02-18-2025



- Unique Features:
- Design Build Contract
- Emergency Operations Center Included in New Building

- PSC Case No. 2023 - 252
- Filed: 08-18-2023
- Utility: Oldham Co. W.D.
- Type: ARF Case
- Issue: Full Recovery of Cost of Employee Benefits
- Hearing: 04-19-24
- Decided: 06-18-24

- PSC Order (50 Pages):
- Applied BLS Reduction %
- Disallowed Recovery of \$125,000 in Health Insurance Costs (OCWD Pays 100%)
- OCWD Failed to Meet Its Burden of Proof
 - Proof Insufficient to Overcome PSC Precedents
 - 43 Cases Align with BLS National Average

- OCWD Appealed Decision
- July 18, 2024
- Franklin Circuit Court
- Case No: 24-CI-00725

Filed: July 18, 2024

PSC Answer: Aug. 09, 2024

Briefing Schedule: Nov. 22, 2024

Jan. 10, 2025

Oral Arguments: May 20, 2025

Decided: Sept. 24, 2025



Issues on Appeal:

- PSC Acted Unlawfully
- BLS Reduction Not Supported by Substantial Evidence
- Denied Due Process
- PSC Violated KRS 13A.100

Decision: PSC Order Reversed

Basis:

- PSC Violated KRS 13A.100
- BLS Reliance Was Arbitrary
- PSC Acted Unlawfully

Oldham Can Include 100% of
its Employee Health Insurance
Costs in its Rates

- \$125,241 Per Year

Oldham Demonstrated That:

- Paying 100% of Health Insurance Benefits
 - Fair, Just & Reasonable
 - In the Market That It Served
 - Best Interest of Its Customers

- Demonstrate That Total Compensation Package Is Fair, Just & Reasonable
 - Salary
 - Benefits
- Market Area
- Recruit & Retain Employees
 - Robust Evidence
 - May Require Consultant

Minutes

CS457866



"A meeting is something that reduces hours to minutes."

What Are Minutes?

- Official Record

Meeting Notes 6/20/16

Pretend to pay attention and look like you're writing important things even though it's all BS.

- Indentation and bullet points are always a nice touch
- Bullet point two ←
- This is obviously BS because of how organized things are. 10 minutes in, nothing productive.

Numbers and equations look good

867-5309, 525600 ←

$x + y = x \cdot y$

To emphasize when something important is said make sure to underline shit and draw arrows to appear to make connections

→ Insert humble question mark? to make note of something to look into later.

Avoid having to fill up more than 1 pg by using the margins

BOARD MEETING MINUTES FOR

I. MEETING DETAILS

Chairperson: _____
 Secretary: _____

Date: _____, 20____
 Time: ____:____ ☐ AM ☐ PM

Location (name): _____
 Street Address: _____
 City: _____
 State: _____ Zip: _____

II. ROLL CALL

III. CALL TO ORDER

IV. OLD BUSINESS

V. NEW BUSINESS

VI. OTHER ITEMS

VII. ADJOURNMENT

Minutes submitted by: _____ Print Name: _____

Approved by: _____ Print Name: _____

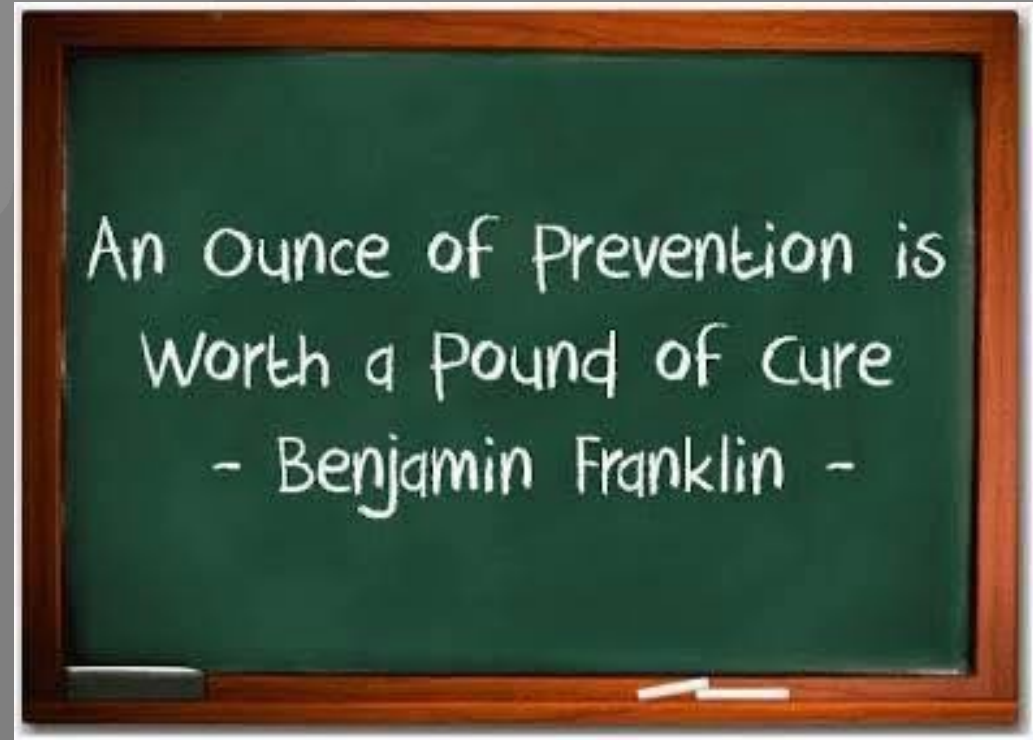


Page 1 of 1



How Much Info?

- No definitive answer
- Art not a science



- Guidelines . . .
 - Minutes are NOT a transcript
 - Minutes are NOT the Congressional Record
 - Include rationale for action taken if it might avoid lawsuit

“Conversations are NOT official
actions of the Board.”

Virigina W. Gregg
Former PSC Staff Attorney



Why Include Summary of Conversations in Minutes?

- Document Board's Due Diligence (e.g. Water Loss)
- Document Board's Oversight Role (e.g. Compliance with PSC Orders)
- Avoid or Win Litigation

Tips

1. Who did not attend the meeting.
2. Who will not read the Minutes until at least one year later.
3. Who is employed by PSC.
4. Who will access Minutes via [www](#).

- “. . . for allegedly failing to comply with the Commission’s March 10, 2020 Order in Case No. 2019-00458. The **willful failure to comply presents prima facie evidence of incompetency, neglect of duty, gross immorality, or nonfeasance, misfeasance, or malfeasance** in office sufficient to make [the District’s] officers and manager subject to the penalties of KRS 278.990 or removal pursuant to KRS 74.025. The Commission finds that a public hearing should be held on the merits of the allegations set forth in this Order.”



KRS 278.300(1)

- No utility shall issue any securities or evidences of indebtedness... until it has been authorized to do so by order of the Commission.

- Must Obtain PSC Approval Before Incurring Long-term Debt (Over 2 Years)
- Exception:
- 2 Years or Less
- Renewals
- (3 X 2 = 6 Years)
- (6 X 1 = 6 Years)

- Case No. 2022 - 00252
- Opened: 02-16-2023
- Issue: KRS 278.300 (4 Violations)
- Hearing: 08-01-2023
- Decided: 10-17-2023

- Facts: Leased 4 Trucks
 4 & 5 Year Terms
- Issue: Is Long Term Lease
 An evidence of Indebtedness ?

- Outcome:
 - GM & Directors (Water Assoc.)
 - Fined \$250 (Waived)
 - 12 Hours of Training
 - 6 More Hours Annually
 - Future Directors
 - 6 Hours Training Annually

Case No. 2025-00226

- Opened: 12-13-2025
- Type: Investigation
- Issue: City Charging Water District Unapproved Wholesale Rate
- Outcome: Case No. 2025-00390 was opened
- City and District agreed on a settlement of \$130,461.58 refund to the District



Facts:

- City's Wholesale Rate: \$2.10 (Approved by PSC: 09-03-2009)
- Rate Increased to: \$2.92
 - Increased Gradually Since 2018
 - Water District Did Not Notice or Object to Increase

- Nothing Filed by City With PSC Since 2009
- PSC Discovered in ARF Case Filed by Water District
- PSC Disallowed Recovery of Unapproved Rate by W.D.

- How Did This Happen?
 - City's Bill Not Easy to Understand
 - Turnover in W.D. Staff

Jason Pennell
Compliance Specialist
Kentucky Rural Water Association
j.pennell@krwa.org



CYBER HYGIENE

Matt Folker

ISTT, Inc.

- ▶ Who is this guy?
 - ▶ Matt Folker – CIO at ISTT, Inc.
- ▶ What do we do?
 - ▶ IT and Cyber Security
- ▶ Where do you serve?
 - ▶ Kentucky, Tennessee and Beyond!
- ▶ When can you help?
 - ▶ NOW! We serve the community 24/7
- ▶ Why?
 - ▶ It's our job to keep OUR community SAFE!

WHO, WHAT, WHERE, WHEN, WHY?

- ▶ Use a computer? THIS IS FOR YOU!
- ▶ Your DATA has VALUE to CRIMINALS and TERRORISTS
- ▶ We must STAY CLEAN or we'll end up smelling like...

WHO IS THIS MESSAGE FOR?

DOES YOUR EMAIL PASS THE SNIFF TEST?



The NUMBER ONE cause of a CYBER SECURITY event is someone clicked on an email they shouldn't have clicked on.

- ▶ **Cattle Feed Manufacture**
- ▶ **600+ Employees**
- ▶ Purchasing a robot to stack feed on pallets
- ▶ Vendor's email was compromised
- ▶ Cattle Feed company wired \$250,000 to the criminal's bank account
- ▶ Insurance DID NOT PAY because there was no phone call to verify details

REAL WORLD EXAMPLE

- ▶ TRUST BUT VERIFY mentality
- ▶ Even the most BASIC SPAM filter can stop phishing emails from getting to you or your end users
- ▶ Are you using YAHOO or GMAIL? STOP!
- ▶ You get what you pay for – free email systems turns YOUR DATA into the PRODUCT

HOLY COW! HOW DO YOU STOP THAT?

- ▶ Are you using ONE PASSWORD for everything?

ARE YOU OVER SHARING?



- ▶ **Manufacturing Company**
- ▶ **250+ Employees**
- ▶ President/CEO had the same password for FACEBOOK and his WORK VPN
- ▶ Facebook account getting hacked led to a \$530,000 Invoice for RANSOMWARE CLEAN UP
- ▶ Now pays \$40,000 a year just in Cyber Security Insurance

DON'T BRUSH THIS STORY ASIDE...

- ▶ Never use the same PASSWORDS for different sites
- ▶ Odds are your passwords are already on the DARK WEB
- ▶ Use a password MANAGER to help! (Keeper, LastPass)
- ▶ Help a LOVED ONE change their PASSWORDS

ARE YOU OVER SHARING?

Are you keeping your systems
UP TO DATE?

RENSE AND REPEAT



- ▶ Printing/Copy Shop
- ▶ 50+ Employees

- ▶ Out of Date Operating Systems on Server AND Network
- ▶ Hackers easily penetrated systems and spread RANSOMWARE
- ▶ Owner ended up selling the business for pennies on the dollar
(Said Goodbye to retirement plan)

NOT SO HEAD AND SHOULDERS ABOVE...

Several white lines of varying lengths and angles are positioned on the right side of the slide, extending from the middle to the bottom right corner.

- ▶ Microsoft Releases Updates every TUESDAY
- ▶ Networks need updates too!
- ▶ Windows 10 and Windows Server 2016 Is now EOL!
- ▶ When the updates stop, the BREACHES start!

RENSE AND REPEAT – WEEKLY!

Several white diagonal lines of varying lengths and thicknesses are positioned in the bottom right corner of the slide, creating a modern, abstract graphic element.

Wasting Money on Out-of-Date
Antivirus Software?

AVOID THE 5 O'CLOCK SHADOW



- ▶ Businesses purchasing new Computers/Laptops buy whatever AV software is on sale that day
- ▶ Before you know it, you have 13 new computers and 9 different AV subscriptions
- ▶ Single Pane of Glass Solution so you can see what computer has it and is it actually working

KEEP YOUR SYSTEMS RUNNING SMOOTH

Several white lines of varying lengths and angles are positioned in the bottom right corner of the slide, creating a modern, abstract graphic element.

End User Education HELPS more than anything else!

Our COUNTRY is UNDER ATTACK!

Cyber Security Awareness Training is the most affordable security product available, and it has the largest IMPACT

Make a game out of it!

Our MISSION is to help our COMMUNITY and to make the world a better place!

“Those Crazy enough to believe they can make an impact are the ones that do.”

GET CLOSE AND TELL A FRIEND!



- ▶ Small City in Kentucky
- ▶ 5 Office Employees
- ▶ Received Malicious Email that looked like it was a vendor
- ▶ Email address was off by just 1 letter (rn instead of m)
- ▶ Requested \$50,000 payment, user sent without verification
- ▶ Insurance paid, only out \$500 deductible

IT'S AN EVERYDAY BATTLE

QUESTIONS?

THANK YOU!!

Matt Folker

ISTT, Inc.

Isttechnology.com

mfolker@isttinc.com

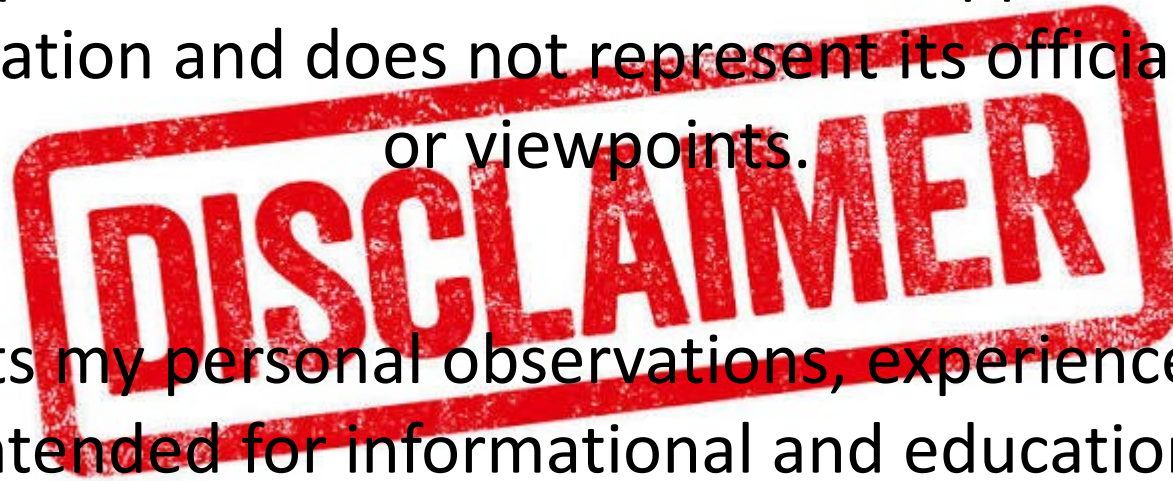
Tariffs

Jason Pennell
Kentucky Rural Water Association



Disclaimer

The views, opinions, and interpretations expressed in this presentation are solely my own and are presented in my personal capacity. This presentation has not been prepared, reviewed, endorsed, or approved by the Kentucky Rural Water Association and does not represent its official positions, policies, or viewpoints.



The content reflects my personal observations, experiences, and professional opinions and is intended for informational and educational purposes only. Any references to industry practices, regulations, or guidance are based on my own understanding and should not be construed as official guidance or policy of the Kentucky Rural Water Association.

Discussion

- Legal Framework
- Process of Revising Tariff
 - Updates to Consider
 - Managing Your Tariff

Tariff Definition

“Tariff” means the schedules of a utility’s rates, charges, regulations, rules, tolls, terms, and conditions of service over which the commission has jurisdiction.



KRS 278.160 (1)

- Under rules prescribed by the commission, each utility shall file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it and collected or enforced. The utility shall keep copies of its schedules open to public inspection under such rules as the commission prescribes.

KRS 278.160 (1)

- No utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules.

What is a Rate?

"Rate" means any individual or joint fare, toll, charge, rental, or other compensation for service rendered or to be rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof

“Rate” Examples

- Water Usage Charge
- Meter Tap Fee
- Billing Recalculation Policy
- Length of Time to Pay Bill
- Minimum Contract Period
- Rule/Regulation

Condition of Service

- Requirement, action or task that must be met or taken by an applicant for service as a prerequisite for receiving or continuing to receive service.

Condition of Service Examples

- Completing an Application Form
- Providing Evidence of an Inspection
- Deposit Requirement
- Easement Requirement
- Technical Specifications for Connection

Tariff Has the Status of Law

- PSC has adopted a regulation to implement the provisions of KRS 278.160.
- 807 KAR 5:006, Section 6 provides that:
 - A utility shall not establish a special rule or requirement without obtaining PSC approval;
 - Unless specifically authorized by the PSC a utility shall not deny service to someone who has complied with all conditions of service in the utility's tariff.



KRS 278.160 & 807 KAR 5:006

- Only Filed Rates May Be Charged
- Only Filed contracts of service May Be Imposed
- All Filed Rates and contracts of service must be enforced
- Tariff Governs Utility's Relationship With Customer



If its in your Tariff you
MUST do it!

If its not in your Tariff,
you CAN NOT do it!

Failure to Comply

- Refund/Back billing
- Assessment of Civil Penalties Against:
 - Utility
 - Manager
- Water District Commissioners
- Removal of Water District Commissioners

Where Can I Find Our Tariff or Someone Else's

Ky.gov An Official Website of the Commonwealth of Kentucky

 **Kentucky Public Service Commission**

psc.ky.gov General **Commission Records** For Consumers Utility Information SiteMap Employment Contact Us

Register Login

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KY PSC Records

Cases	Financial	Tariffs
Search All Cases	Annual Reports	Current Tariffs
Browse All Cases	Audit Reports	Proposed Tariff Changes Under Review
Docket Reports	Annual Report Statistics	Proposed Tariff Changes Post-Review
Hearing Videos	Annual Reports Electronic Filing Instructions	Tariff Monitoring Instructions
Hearing Calendar	Gross Operating Revenue Reports	Tariff Filing Instructions
Sign up for Case Notification	Uniform System of Accounts	

Orders		Other
Current Orders	Filers Login/Register	Managements Audits
Orders Vault	Filers Create an Account (video)	Staff Opinions
	Open Records Request Information	Utility Master Search
		Fuel Contracts
		Fuel Adjustment Clause



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Tariffs Library

Folder Name
Electric
Natural Gas
Sewer
Telecommunications
Water
Xtra Info



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Page being reported:

<https://psc.ky.gov/Home/Library?type=Tariffs&folder=Water>



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Folder Name
Allen County Water District
Barkley Lake Water District
Bath County Water District
Beech Grove Water System
Big Sandy Water District
Black Mountain Utility District
Bluegrass Water Operating Company
Boone County Water District
Bracken County Water District
Breathitt County Water District
Bronston Water Association
Buffalo Trail Water Association
Bullock Pen Water District
Butler County Water System
Caldwell County Water District
Cannonsburg Water District
Carroll County Water District #1
Cawood Water District
Christian County Water
Columbia-Adair Utilities District

Revising Tariffs

- 30 days Notice to PSC
- “Notice” is filing of New Tariff Sheet
- Submit Cover Letter & Tariff Sheet
- Tariff Sheet must comply with PSC Regs
- PSC provides Tariff Sheet Templates on its website.

Tariff Sheets

	FOR _____ Community, Town or City
	P.S.C. K.Y. NO. <u>1</u> Original SHEET NO. <u>9-A</u>
_____ (Name of Utility)	CANCELLING P.S.C. K.Y. NO. _____ SHEET NO. _____

Header

Footer

DATE OF ISSUE	<u>October 24, 2024</u> Month / Date / Year
DATE EFFECTIVE	<u>January 1, 2024</u> Month / Date / Year
ISSUED BY	<u>Ad</u> (Signature of Officer)
TITLE	<u>Chairman</u>
BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION	
IN CASE NO. _____	DATE _____

The following symbols shall be placed in the margin to indicate a change:

"(D)" to signify deletion;

"(I)" to signify increase;

"(N)" to signify a new rate or requirement;

"(R)" to signify reduction; or

"(T)" to signify a change in text



Revising Tariffs Continued

General Procedures:

- Tariff Sheet Should State the Effective Date
- Attorney Is Not Required
- Public Notice Must be Provided

Public Notice

- Three options for providing “Customer” Notice:
 - Mail Notice with customer bills mailed no later than the date the tariff is filed with the PSC
 - Mail written notice to each customer
 - Publish notice one a week for 3 consecutive weeks in local newspaper

Public Notice

- Must Make Public Postings
 - At Utility's Office
 - On The Utility's Website
 - On Any Social Media Page Maintained by the Utility
 - Follow 807 KAR 5:11, Section 8(4) concerning the Requirements for Notice Content

PSC Response to Tariff Filing

- Take No Action: Tariff becomes effective 30 days from filing
 - Request Minor Modifications
- Suspend and Investigate (now an attorney is required)
 - Final Action from PSC: within 10 months of filing

Nonrecurring Charges

- A charge designed to recover customer-specific cost incurred that would otherwise result in monetary loss to the utility or increased rates to other customers to whom no benefits accrue from the service provided or action taken.

Examples of Nonrecurring Charges

- Connection Fees
- Inspection Fees
- Returned Check Fees
- Turn-off/Turn-on Charges
- Service Call/Investigation Charges

Nonrecurring Charges

- Documents That Must be Filed with a Nonrecurring Charge Tariff Filing in Addition to Cover Letter & Tariff Sheet:
 - Specific Cost-Justification Sheets & Supporting Documentation
 - Income Statement & Balance Sheet for 12-month Period ending no more than 90 days before filing
 - Statement about Why Not Filed in a Rate Case

Nonrecurring Charge Cost Justification

Employee Position	Hourly Wage	Average Hourly Wage	Average Overtime Wage
Operations:			
Operator-Full time			
Operator-Full time			
Total	\$0.00	\$ -	\$ -
Administration:			
Utility Clerk - Full Time			
	\$ -	\$ -	\$ -
Employee Benefit Costs			
Benefit	% of Wages		
Retirement			
Workers Comp			
FICA Taxes			
Medicare			
Utility Responsibility			
Health Insurance			
Annual Health Insurance Premium			
Divided By Test Period Hours			
Health Insurance Cost Per Hr		#DIV/0!	
Benefits Calculations:			
Operational (\$ x %)		\$0.00	
Administrative (\$ x %)		\$0.00	
Average Hourly Wage w/ Benefits			
Operational		#DIV/0!	#DIV/0!
Administrative		#DIV/0!	#DIV/0!



Nonrecurring Charge Cost Justification

AVERAGE METER CONNECTION EXPENSE COST JUSTIFICATION

Name of Utility _____

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8-Inch ☐ 3/4-Inch ☐ 1-Inch ☐ 1 1/2 -Inch ☐ 2-Inch ☐

Other (specify) _____

B. Materials Expense

	Unit Quantity	Cost	Total Cost
1. Water Meter	_____	_____	_____
2. Meter Yoke	_____	_____	_____
3. Corporation Stop	_____	_____	_____
4. Meter Box and Top	_____	_____	_____
5. Miscellaneous Fittings	_____	_____	_____
6. Other (Itemize)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

TOTAL MATERIALS EXPENSE \$ _____
(add total cost)

C. Service Pipe Expense

Type of Service Pipe _____ Size of Service Pipe _____

	Unit Quantity	Cost	Total Cost
1. Short Side Service	_____	_____	_____
2. Long Side Service	_____	_____	_____
AVERAGE SERVICE PIPE EXPENSE (add total cost and divide by 2)			\$ _____

D. Installation Labor Expense

	Total Hours	Hourly Rate	Total Cost
1. Short Side Service	_____	_____	_____
2. Long Side Service	_____	_____	_____
AVERAGE INSTALLATION LABOR EXPENSE (add total cost and divide by 2)			\$ _____

E. Installation Equipment Expense

	Total Hours	Hourly Rate	Total Cost
1. Short Side Service	_____	_____	_____
2. Long Side Service	_____	_____	_____
AVERAGE INSTALLATION EQUIPMENT EXPENSE (add total cost and divide by 2)			\$ _____

F. Installation Miscellaneous Expense

	Total Hours	Hourly Rate	Total Cost
1. Inspection	_____	_____	_____
2. Site Clean-Up	_____	_____	_____
3. Other	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

AVERAGE INSTALLATION MISCELLANEOUS EXPENSE \$ _____
(add total cost)

G. Overhead Expense

1. Installation expense (\$ _____) times
overhead rate (____%) \$ _____

H. Administrative Expense

1. Office expense for establishing a new account
and billing record. \$ _____

I. Total Expenses

Materials Expense \$ _____
Service Pipe Expense _____
Installation Labor Expense _____
Installation Equipment Expense _____
Installation Miscellaneous Expense _____
Overhead Expense _____
Administrative Expense _____

TOTAL CONNECTION EXPENSE \$ _____

Common Filing Mistakes

- No Signature On Tariff Sheets
- No Effective Date
- Failure to Use Correct Tariff Format
- Failure To Give Proper Notice
- Failure to Adequately Explain Reasons for Proposed Rule or Rate
AND to Document Those Reasons GOAL: AVOID SUSPENSION

How to Avoid Filing Mistakes

- Download/Use PSC Forms
- Provide Signature/Effective Date
- Notice – Timing (Provide at least 30 days Notice)
- Cover Letter Should Provide Lengthy Explanation for Rate/Rule
- Provide Supporting Documents (What Would Staff Want/Need To Know?)

Provisions to Consider

- Deposit Requirements
- Budget Payment Plans
- Reconnect Charge
- Requested Meter Test Charge
- All other “special” or nonrecurring charges
- Rules regarding size, design, material & installation of service lines
- Rules regarding service line installation & maintenance
- Customer Usage Monitoring procedures

Provisions to Consider

- Leak Adjustments
- “Hit Rock” provision in meter tap fee language
- Turn-on/Turn-off provisions for seasonal residences
- Billing provision for service to more than one residence from a single meter
- Line Extension provision that reduces or eliminates refunds to Real Estate Developers

Provisions to Consider

- Service Disconnection for waste of water
- Service Disconnection for tampering or interfering with facilities
- Imputed Liability to adults at service address
- Utility Liability Disclaimer for service interruption, failure to provide flows adequate for fire suppression, damage to customer facilities caused by water pressure fluctuation

Managing Your Tariff

- Know the contents of the tariff
- Bylaws do not belong in the tariff
- Review at least annually
- Encourage utility Staff involvement in review
- Realize that the tariff is not an internal Management & Practices Manual
- Sample bills, applications for service, and other forms required by the tariff should be included as attachments to the tariff

Managing Your Tariff

- How old are some of the provisions?
 - How many decades are represented in your tariff?
- Have the regulations applicable to a particular provision changed?
- What is the general appearance of the tariff?
- Do you follow policies and practices that are Not in your tariff?
- Are there issues you are facing regularly that your tariff does not address?

Tariff Language to Address Specific Concerns

“A service line running from the point of connection to the water main to the point of delivery shall not be located on any private property other than the Applicant’s property. No service line running from the point of delivery to the point of consumption shall be located on property other than the Applicant’s property unless the Applicant has obtained from the other property owners a private utility easement for the service line and recorded such easement with the County Clerk’s office.”



Tariff Language to Address Specific Concerns

Cost of Encountering Rock When Making a Meter Tap:

“An additional charge shall be made for meter connections where rock is encountered, such rock condition being defined as limestone or other hard stratified material in continuous volume of at least one cubic yard or more and which cannot be removed using ordinary excavation equipment. The charge shall be applied per linear trench foot and shall not exceed the actual cost of excavation.”

Tariff Language to Address Specific Concerns

Cost of Encountering Rock When Making a Meter Tap:

“Meter Connection Fee does not include any expense for boring in rock areas or any expense for rock removal. Customer will be assessed an additional charge for any rock boring or removal. The charge for rock removal shall be applied per linear trench foot and shall not exceed the actual cost of excavation. Fee also does not include the exceptional directional bore costs in which the directional bore exceeds 35 feet. In such case, the actual cost incurred for directional boring in excess of 35 feet not reflected in the Meter Connection Fee will be added to the Fee”



Does Your Tariff Look Like This?

FOR South Eastern Pilsbri Co.
Community, Town or City

P.S.C. KY. NO. _____

SOUTH EASTERN WATER
(Name of Utility) ASSOCIATION, INC

RULES & REGULA

WATER LEAK ADJUSTMENT POLICY

In the event of a Water Leak, which the system deems is beyond the reasonable control of the customer, there may be adjusted as follows:

A. Water Leak will be adjusted using the following formula:

1. The average usage of the customer for the previous twelve months shall be determined plus 10,000 gallons over the average. Then the excess of the current period shall be charged at the current wholesale rate, with the

PUBLIC SERVICE COMMISSION

Older Tariff Forms

Form for filing Rate Schedules

For Community, Town or City

P.S.C. NO. _____

SHEET NO. 1

NAME OF ISSUING CORPORATION _____

CANCELLING P.S.C. NO. _____

SHEET NO. 1

CLASSIFICATION OF SERVICE

	RATE PER UNIT
ALL BILLS ARE SENT OUT ON THE LAST WORKING DAY OF EACH MONTH. ALL BILLS ARE DUE ON THE 10th OF EACH MONTH. PENALTY OF 10percent IS ADDED TO THE UNPAID BALANCE ON THE 12th OF EACH MONTH. DELINQUENT NOTICES ARE SENT OUT ON THE 12th DAY OF THE MONTH. DISCONTINUANCE OF SERVICE SHALL BE EFFECTED NOT LESS THAN twenty (20) DAYS AFTER THE MAILING DATE OF THE ORIGINAL BILL.	
PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE OCT 02 1997 PURSUANT TO 807 KAR 5:011, SECTION 9 (1) BY: <u>Stephen D. Bell</u> SECRETARY OF THE COMMISSION	

DATE OF ISSUE _____

ISSUED BY Joe Richards, Jr.
Name of Officer

DATE EFFECTIVE _____

TITLE President

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____

This Sheet:

- Crooked Print
- Inconsistent Stamp Location
- Prior to 807 KAR 5:011 Section 3(4)



1984

Charges on
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
Nov 27 1984
PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Jordan C. Neel
DATE EFFECTIVE Nov. 27, 1984
TITLE Chairman

1994

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PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
SEP 11 1994
PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Jordan C. Neel
FOR THE PUBLIC SERVICE COMMISSION

2004

DATE OF ISSUE March 2 2004
Month / Date / Year
DATE EFFECTIVE _____
Month / Date / Year
ISSUED BY Sam H. Daulton
(Signature of Officer)
TITLE Chairman
BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
APR 04 2004
PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Thomas L. Daulton
EXECUTIVE DIRECTOR



Don't Issue Strike-Through Sheets

~~Temporary Emergency Tariff~~ (T)

~~Due to the recent catastrophic floods in late July of 2022, Southern has instituted~~ (T)

~~a temporary emergency tariff for the purpose of assisting the community in its~~ (T)

~~flood relief and clean-up efforts:~~

~~If a customer's water usage is greater than 25 percent more/above said customer's~~ (T)

~~six-month water usage average during the August 2022 or September 2022 billing~~ (T)

~~cycles, Southern will issue bills based upon said customer's six-month average~~ (T)

~~usage, rather than the actual metered usage.~~ (T)



Cover Page

- Does it have accurate information?
- Does it comply with 807 KAR 5:011, §3(2)
 - Mailing Address
 - Street Address
 - Web Address
 - Service Area

P.S.C. Ky. No. 10422
Cancels P.S.C. Ky. No. 2021

OF
Grayson, Carter County, KY.

Rates, Rules and Regulations for Furnishing
Water Service

AT
Rural portions of Carter, Elliott and Lawrence Counties KY.

PUBLIC SERVICE COMMISSION
OF KENTUCKY

JAN 20 1989

PURSUANT TO KAR 5:011,

SECTION 9 (1)

BY: *Shawn Youravich*
PUBLIC SERVICE COMMISSION MANAGER

Filed with PUBLIC SERVICE COMMISSION OF
KENTUCKY

ISSUED January 20, 1989 EFFECTIVE January 20, 1989

ISSUED BY (Name of Utility)

BY *Brian Dillman*
Dillman

PSC KY NO. 14
CANCELLING PSC KY NO. 13

HARDIN COUNTY WATER DISTRICT NO. 2

1951 WEST PARK RD
ELIZABETHTOWN, KENTUCKY 42701

P.O. Box 970
ELIZABETHTOWN, KENTUCKY 42701

www.hcwd2.org

RATES – CHARGES – RULES – REGULATIONS

FOR FURNISHING
WATER SERVICE
IN

HARDIN COUNTY, AND PORTIONS OF LARUE AND HART COUNTIES
KENTUCKY

FILED WITH THE
PUBLIC SERVICE COMMISSION
OF
KENTUCKY

DATE OF ISSUE March 25, 2025
MONTH / DATE / YEAR
DATE EFFECTIVE June 13, 2025
MONTH / DATE / YEAR
ISSUED BY *Shawn Youravich*
SIGNATURE OF OFFICER
TITLE General Manager
BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION IN
CASE NO. DATED



Jason Pennell
Compliance Specialist
Kentucky Rural Water Association
j.pennell@krwa.org





CAN I DO THAT? A PRACTICAL GUIDE TO OPEN RECORDS AND OPEN MEETINGS

Presented by:

Glenn D. Denton

Denton Law Firm, PLLC

555 Jefferson St., Suite 301

Paducah, KY 42001

Phone: 270-450-8253

Fax: 270-450-8259

E-Mail: gdenon@dentonfirm.com



Sunshine Laws

- A sunshine law is a statute(s) requiring a governmental department or agency to open its meetings or its records to public access. See Black's Law Dictionary, Ninth Edition (2009).
- At the federal level, there are two sources of law that govern open records and open meetings.
 - The Government in the Sunshine Act of 1976 (open meetings)
 - The Freedom of Information Act (FOIA) (open records)
 - Both can be found within 5 U.S.C. § 552.
 - These are primarily applicable to federal government and federal government agencies



There are two broad ways to handle open records and open meetings: good and bad

Kentucky Sunshine Laws

- In Kentucky, there are two sources of law governing open records and open meetings:
 - The Kentucky Open Records Act (KORA)
 - The Kentucky Open Meetings Act (KOMA)



Kentucky Open Records Act

In 1976, the Kentucky General Assembly first adopted the Kentucky Open Records Act which establishes a right of access to public records – seen in KRS 61.870 et seq.

The Kentucky General Assembly adopted the Kentucky Open Records Act because they recognized that the free and open examination of public records is in the public interest

There are limitations to the Act

Applicability



- Generally, all public records must be open for inspection unless they are exempted by statute
 - It does not matter if the records are stored physically or electronically *or does it
- The Kentucky Open Records Act applies to public records maintained by state and local government agencies

Entities Covered Under the Act

State and local government officers, departments, and legislative bodies;

County and city governing bodies, school district boards, special district boards, and municipal corporations;

State or local government agencies created by statute or other executive and legislative acts;

Bodies created by state or local authority in any branch of government;

Bodies that receive at least 25% of their funds from state or local authority within any fiscal year (subject to a few exclusions);

An entity where most of its governing body is appointed by a public agency;

Agencies or committees created and controlled by public agencies; and

Interagency bodies of two or more public agencies

What Does the KY Open Records Act Require?

Subject to certain specifically delineated exceptions, records that are prepared, owned, used, possessed, or retained by a public agency are public records and must be made available for inspection upon request from a resident of the Commonwealth

A covered entity only needs to make non-exempt records available for inspection to a resident of the Commonwealth during regular office hours of the agency

The public agency may require the request to be in writing, but the public agency must accept a request that has been submitted by mail, fax, or e-mail

In any circumstance, the requester must precisely describe the records sought to be inspected

Additionally...

- The Act requires every covered entity must adopt rules and regulations requiring:
 - The principal office of the public agency and its regular office hours;
 - The title and address of the official custodian of records;
 - The fees charged for copies; and
 - The procedures to be followed in requesting open records. See 200 KAR 1:020
- The public agency must display in a prominent location accessible to the public, a copy of its rules and regulations pertaining to public records, including the mailing address, e-mail address, and phone number of the official custodian of records and the form promulgated by the attorney general that may be used to request public records



“Resident of the Commonwealth” under KRS 61.870

- An individual residing in the Commonwealth;
- A domestic business entity with a location in the Commonwealth;
- A foreign business entity registered with the Secretary of State;
- An individual or business entity that owns real property within the Commonwealth;
- Any individual or business entity that has been authorized to act on behalf of an individual or business entity defined in paragraphs (a) to (e) of this subsection; or
- A news-gathering organization as defined in KRS 189.635(9)(b)(1)(a)-(e)

Procedure for Requesting Inspection of Public Records

If required by the public agency, a resident of the Commonwealth must make a specific request to the official custodian of the public agency's record.

- That request may be required to be in writing

The application must also include a declaration that the request is not for a commercial purpose and that it is from a resident of the Commonwealth

The application for inspection should be hand delivered, mailed, e-mailed, or sent via fax to the public agency's custodian of public records

The public agency must respond to the request in writing within five business days. However, the public agency is not required to produce records for inspection within five days

If the request is denied, the response must include a statement of the specific exception which authorizes the agency to withhold the record and how the exception is applicable

Exempt Records

KRS 61.878(1) provides a list of records that are exempt from inspection (barring a court order)

Generally, most exemptions are applicable to records that contain confidential, personal, or otherwise secretive information

What is a Commercial Purpose - KRS 61.870(4)(a)-(b)

- Commercial purpose means the direct or indirect use of any part of a public record or records, in any form, for sale, resale, solicitation, rent, or lease of a service, or any use by which the user expects a profit either through commission, salary, or fee
- Commercial purpose shall not include:
 - 1. *Publication or related use of a public record by a newspaper or periodical;*
 - 2. *Use of a public record by a radio or television station in its news or other informational programs; or*
 - 3. *Use of a public record in the preparation for prosecution or defense of litigation, or claims settlement by the parties to such action, or the attorneys representing the parties*

Open Records Requested for Commercial Purposes – KRS 61.874

- Unless an enactment of the General Assembly prohibits the disclosure of open records for commercial purposes, if copies of nonexempt public records are requested for commercial purposes, the agency may establish a reasonable fee
 - *Cost to the public agency of media, mechanical processing, and staff required to produce a copy of the public record or records;*
 - *Cost to the public agency of the creation, purchase, or other acquisition of the public records*
- The agency may also require a certified statement from the requestor stating what the commercial purpose is and may require the requestor to enter a contract which will permit the use of records for commercial purposes for a specified fee



A public agency may provide online access to public records in electronic format



The agency may require that the requester enter a contract, license, or other agreement with the agency about the online records and may charge fees to access the online public records



However, the fees cannot exceed the cost of the physical connection to the system and the reasonable cost of computer time access

Online Access

Appeals

- If a public agency denies a request for public records, the requester may file an appeal with the Kentucky Attorney General's Office for review of the agency's actions
- The Attorney General will review the appeal and issue a decision as to whether the agency violated the Act
- If the AG sides with the requester and the agency does not appeal, the AG's decision can be enforced in Circuit Court

Penalties

- If the requester prevails in Circuit Court, then they can be awarded costs, attorney's fees, and up to \$25.00 per day for each day that they were denied the right to inspect the records
- The Open Records Act also contains criminal penalties for public officials who willfully conceal or destroy records with the intent to violate the act

AND NOW...

Kentucky Open Meetings Act

In 1974, the Kentucky General Assembly enacted the Kentucky Open Meetings Act (KRS 61.800, et seq.)

The General Assembly adopted the Kentucky Open Meetings Act because they recognized that the formation of public policy is public business and should not be conducted in secret

Generally, the Act requires that all meetings of quorum of members of a public agency where public business is discussed or action is taken must be held in public

Public meetings must always be open to the public unless the subject falls within one or more of thirteen exceptions found in statute

A public meeting is all meetings held by state and local government agencies



Agencies Covered Under Kentucky Open Meetings Act

State and local government boards, commissions, and authorities;

State and local legislative boards, commissions, and committees;

County and city governing bodies, councils, school district boards, special district boards, and municipal corporations;

State and local government agencies, including policy making boards of educational institutions, that are created by state or local statute or another legislative act;

Bodies created by state or local statute or legislative act in the legislative or executive branch of the government;

An entity where most of its governing body is appointed by a public agency;

Agencies, including committees, advisory committees, and ad hoc committees, which are established, created, and controlled by a public agency; and

Interagency bodies of two or more public agencies

General Requirements of Kentucky Open Meetings Act

- All meetings of public agencies, and committees or subcommittees thereof, must be held at specified times and places which are convenient to the public
- Public agencies must keep minutes of an action taken at every meeting which set forth an accurate record of votes and actions taken
 - These minutes must be open for inspection by the public no later than the conclusion of the agency's next public meeting



Quorum of Committee of a Public Agency

- When a committee itself is a public agency, the quorum of threshold that triggers open meetings obligations is measured against the committee's own membership – not the membership of the parent board
- This is codified at KRS 61.805(2)(g) and says: “Any board, commission, committee, subcommittee, ad hoc committee, advisory committee, council, or agency, except for a committee of a hospital medical staff or a committee formed for the purpose of evaluating the qualifications of public agency employees, established, created, and controlled by a ‘public agency.’”
- A committee of a public agency that is established, created, and controlled by that agency should assume it is subject to the Open Meetings Act regardless of its size relative to the parent board
- Committees or subcommittees created by a public agency's governing body often fall within the OMA's scope if they exercise delegated authority or conduct deliberations that lead to binding decisions
 - *However, purely advisory committees or those without decision making power may be exempt*

General Requirements of Kentucky Open Meetings Act (cont.)

- To the extent possible, meeting room conditions should allow for effective public observation of the meetings
 - No person attending the meeting can be required to identify himself to attend a meeting
- Public agencies must permit news media coverage, including recording and broadcasting
- Public agencies should provide for a schedule of regular meetings by ordinance, order, resolution, bylaws, or by other means



Kentucky House Bill 869 - Takes Immediate Effect As of April 27, 2026

- House Bill 869 includes new requirements for time references in public notices and open meetings requiring notices to include both Eastern and Central Standard Times when listing the time of day
- Section 38 of House Bill 869 amends KRS 424.110 to add a definition for “time” or the time of day, as being stated in both Eastern Standard Time and Central Standard Time
- Section 39 makes the same change under KRS 61.805 to apply to Kentucky’s open meetings law governing public agencies
- Public agencies should review notice and meeting procedures to ensure compliance with the updated statutory requirements

Public Participation at Open Meeting



- Under the Kentucky Open Meetings Act, there is no requirement that governmental bodies and public agencies allow members of the general public to speak
- Many governmental bodies and public agencies permit this as a civic courtesy
- Members of the public who desire to speak at an open meeting can be required to register/identify themselves as a speaker at a public meeting
- Additionally, members of the public who desire to speak at an open meeting can be required to adhere to time restrictions previously promulgated by the governmental body/agency

Special Meetings

All meetings which are not regularly scheduled meetings are special meetings and are subject to special requirements

The requirements for special meetings are found in KRS 61.823

Requirements for Holding Special Called Meetings

Who Can Call a Special Meeting?

- The presiding officer or a majority of the members of the public agency can call a special meeting

Notice Requirements:

- Contents: The public agency shall provide written notice of the special meeting consisting of the date, time, and place of the meeting and the agenda
 - Discussions and action at the meeting shall be limited to items listed on the agenda in the notice
- Delivery and Posting (to whom and how delivered)
 - Notice of a special meeting must be provided as soon as possible to all agency members and media organizations that have submitted a written request, including a mailing address. Notice may be delivered personally, by fax, or by mail and must be received at least 24 hours before the meeting. The agency may require media organizations to renew their requests no more than once per calendar year.

Posting Notice for Special Called Meetings

- When to Post:
 - As soon as possible, written notice shall also be placed in a conspicuous place in the building where the special meeting will take place and in a conspicuous place in the building which houses the headquarters of the agency. The notice shall be calculated so that it shall be posted at least twenty-four hours before the special meeting

Emergency Situations

In the case of emergency which prevents compliance with the ordinary notice requirements for special meetings, reasonable efforts must be undertaken to notify the public of the special meeting(s) and to limit discussion(s) to the topic(s) for which the emergency meeting was called



The emergency meeting shall be called by the presiding officer or a majority of the members of the public agency



The public agency shall make a reasonable effort, under emergency circumstances, to notify the members of the agency, media organizations which have filed a written request to be notified, and the public of the emergency meeting



At the beginning of the emergency meeting, the person chairing the meeting shall briefly describe for the record the emergency circumstances preventing compliance with the notice provisions; these comments need to appear in the minutes



Discussions and action at the emergency meeting shall be limited to the emergency for which the meeting is called

Video Teleconferencing of Meetings

- The Kentucky Open Meetings Act provides that a public agency may conduct any meeting through video teleconference
- Notice of a video teleconference must comply with the regular notice requirements of the Kentucky Open Meetings Act and clearly state that the meeting will be a video teleconference and provide specific information on how any member of the public or media organization may view the meeting electronically
- The same procedures regarding participation, distribution of materials, and other matters shall apply in all video teleconference locations
- Members of the public agency who participate in the video teleconference shall always remain visible on camera



Important Note on Video Teleconference Meetings

- Any interruption in the video or audio broadcast of a video teleconference at any location shall result in the suspension of the video teleconference until the broadcast is restored



What may be Discussed in a Closed Session?

The exceptions to the Kentucky Open Meetings act are found in KRS 61.810(1) and include:

- (a) Deliberations for decisions of the Kentucky Parole Board;
- (b) Deliberations on the future acquisition or sale of real property by a public agency, but only when publicity would be likely to affect the value of a specific piece of property to be acquired for public use or sold by a public agency;
- (c) Discussions of proposed or pending litigation against or on behalf of the public agency;
- (d) Grand and petit jury sessions;
- (e) Collective bargaining negotiations between public employers and their employees or their representatives;
- (f) Discussions or hearings which might lead to the appointment, discipline, or dismissal of an individual employee, member, or student without restricting that employee's, member's, or student's right to a public hearing if requested. This exception shall not be interpreted to permit discussion of general personnel matters in secret;

What may be Discussed in a Closed Session? (cont.)

- (g) Discussions between a public agency and a representative of a business entity and discussions concerning a specific proposal, if open discussions would jeopardize the siting, retention, expansion, or upgrading of the business;
- (h) State and local cabinet meetings and executive cabinet meetings;
- (i) Committees of the General Assembly other than standing committees;
- (j) Deliberations of judicial or quasi-judicial bodies regarding individual adjudications or appointments, at which neither the person involved, his representatives, nor any other individual not a member of the agency's governing body or staff is present, but not including any meetings of planning commissions, zoning commissions, or boards of adjustment;
- (k) Meetings which federal or state law specifically require to be conducted in privacy;
- (l) Meetings which the Constitution provides shall be held in secret; and
- (m) That portion of a meeting devoted to a discussion of a specific public record exempted from disclosure under KRS 61.878(1)(m). However, that portion of any public agency meeting shall not be closed to a member of the Kentucky General Assembly.

Quorum Issues

The Open Meetings Act prohibits any series of less than quorum meetings, where the members attending one or more of the meetings collectively constitute at least a quorum of the members of the agency, if the meetings are held to avoid the requirements of the Act

This prohibition does not restrict discussions between individual members if the purpose of the discussion is to educate the members on specific issues

Remedies for Perceived Violations

If a person believes that a public agency has violated the Open Meetings Act, they may file a written complaint with the presiding officer of the agency

Within 3 business days of receipt of the complaint, the public agency must decide whether to correct the violation and notify the complaining party of its decision in writing

If the agency believes that no violation has occurred and rejects the proposed remedy, it must issue a written response which cites the statute authorizing its actions and briefly explain how the statute applies

Appeals Process

- The complaining party may appeal to the Attorney General for review of the agency's action within sixty days of receipt of the agency's response
- The appeal must include a copy of the written complaint and a copy of the agency's response, if the agency issued a denial
- The Attorney General will review the appeal and issue a decision stating whether the agency violated the Open Meetings Act within ten business days
- Both the complaining party and the agency will receive a copy of the decision
- Both may appeal the Attorney General's decision to the circuit court of the county where the public agency has its principal place of business or where the violation occurred
- If an appeal is not filed within thirty days, the Attorney General's decision has the force and effect of law and can be enforced in circuit court.



Damages

If the complaining party prevails against an agency in circuit court, they may be awarded costs, including attorney's fees, if the court finds that the violation was willful

The court may also award the complaining party up to \$100.00 for each violation



INTERESTING EXAMPLES

In RE: Phillip Hamm/McCracken County Sheriff's Office

Example #1

22-ORD-109

- On February 17, 2022, the McCracken County Sherriff's Office executed a search warrant at the home of Phillip Hamm
- On February 22, 2022, Phillip Hamm submitted an open records request to the MCSO requesting various records pertaining to the execution of the search warrant at his home
- Mr. Hamm also requested, "any documents that mention [him] being involved in any type of drug activity
- The MCSO provided the following response: "The documentation requested will have to be obtained through filing a Motion of Discovery in his court process."
- Mr. Hamm appealed

In RE: Phillip Hamm/McCracken County Sheriff's Office

22-ORD-109

- The AG's office found that the MCSO violated the Kentucky Open Records Act when it denied a request for records without citing an exception to the Act or explaining how the exception applied to the records withheld
- The AG's office also held that the fact that Mr. Hamm was involved in criminal litigation, with the opportunity to conduct discovery, did not alleviate the MCSO's duty to comply with the Kentucky Open Records Act
- On June 22, 2022, Phillip Hamm submitted a request to the MCSO to inspect all body camera footage related to the execution of a search warrant at a specific address on a specific date
- On June 30, 2022, having received no response from the MCSO, Mr. Hamm initiated an appeal

In RE: Phillip Hamm/McCracken County Sheriff's Office

22-ORD-109

- The AG's office found that the MCSO failed to respond to the open records request within five (5) business days, thereby violating the Kentucky Open Records Act
- The Takeaways:
 - *Public Agencies must respond to open records requests within five (5) business days; AND*
 - *In the event of a denial of a request for records, must cite the specific exemption upon which the denial is based*

Example #2

Kentucky Department of Fish and Wildlife Resources Commission v. Kentucky Open Government Coalition, Inc.

- On April 23, 2026, the Supreme Court published an opinion regarding a case where the Ky. Open Government Coalition requested emails and text messages, including those on private devices, from members of the KY Department of Fish and Wildlife Resources Commission
- The Commission refused to produce this requested material
- The Court held that records stored solely on private devices or in personal accounts of individual state volunteer board or commission members are not public records held by a public agency for purposes of the ORA and therefore are not subject to disclosure in response to an open records request

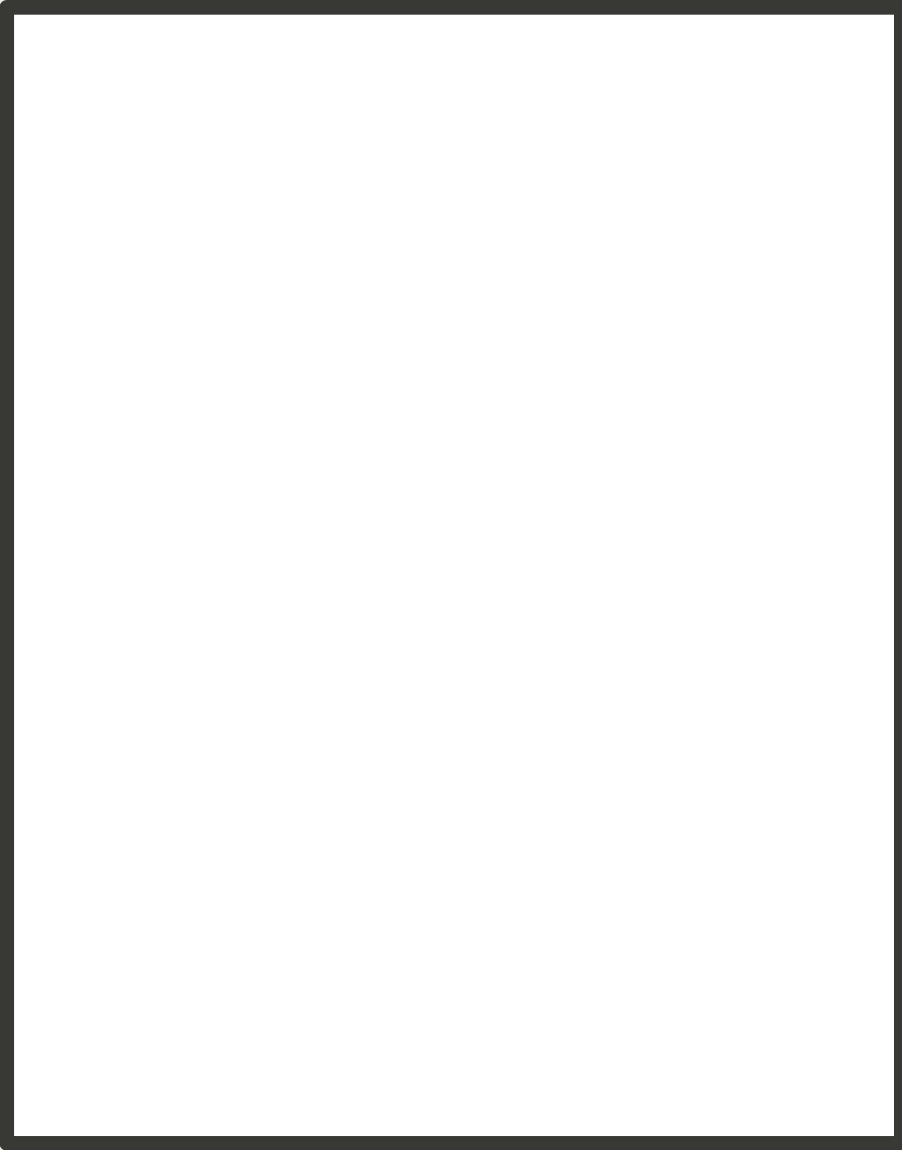
Reactions to this Opinion

- An article published out of Louisville notes that some critics say that it will create a legal loophole in the open records law. They also noted that a dissenting justice warned the ruling will weaken the public's right to know. Finally, they note that some Kentucky lawmakers are saying the General Assembly may need to revise the law.
- Another Louisville based publisher titled an article "Kentucky Supreme Court rules officials can hide public business on personal devices"

Other General Considerations

- All public agency board members must be provided with the Kentucky Attorney General's publication on open records and open meetings, and each public agency must require board members to acknowledge receipt of this guide





Example of a Proof of Receipt

- The Attorney General will send a copy of “The Kentucky Open Records and Open Meetings Act: A guide for the public and public agencies” and “Managing Public Records”
- These copies are sent within 60 days of the day newly elected or appointed officials take office



MAKE SURE TO BE THIS PERSON



... NOT
THIS ONE



QUESTIONS?

Thank You for Your Time Today

- If you have any questions, please feel free to contact me at:

Glenn D. Denton

Denton Law Firm, PLLC

555 Jefferson St., Suite 301

Paducah, KY 42001

Phone: 270-450-8253

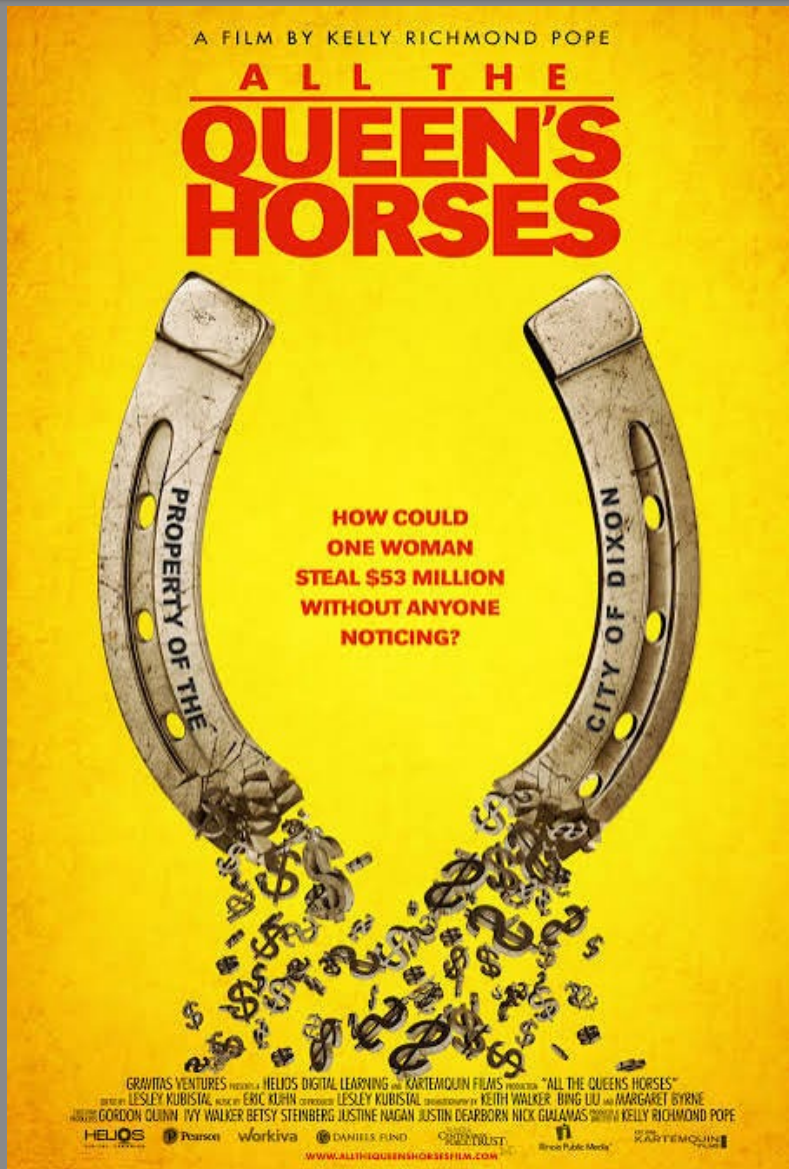
Fax: 270-450-8259

E-Mail: gdenon@dentonfirm.com

Effective Internal Controls

Internal controls are the cornerstone of organizational integrity, ensuring transparency, accountability, and the safeguarding of assets.

- Maintaining trust in others while also verifying the accuracy or truth of their statements or actions
- Be cautious and do not blindly accept everything at face value



A cautionary tale for
small businesses,
governments and
nonprofits

Background

- Rita was the Comptroller and Treasurer of the City of Dixon
- Ronald Reagan's hometown
- City of Dixon, Illinois 16,000 residents
- Annual budget between \$6 - \$8 million
- Stole \$53.7 Million over a twenty-year period (1991-2012)



How did this happen?

- Annual Audit never raised any red flags
- City's bank never reported anything suspicious
- Rita won the trust of those around her - especially that of mayor and council
- One council member praised Rita calling her “a big asset to the city as she looks after every tax dollar as if it were her own”
- City Clerk discovered mystery bank account while Rita was on vacation

Control Weakness

- Rita provided auditors with fictitious invoices from the Illinois Dept. of Transportation. (Checks payable to Treasurer, State of Illinois)
- Auditors not independent

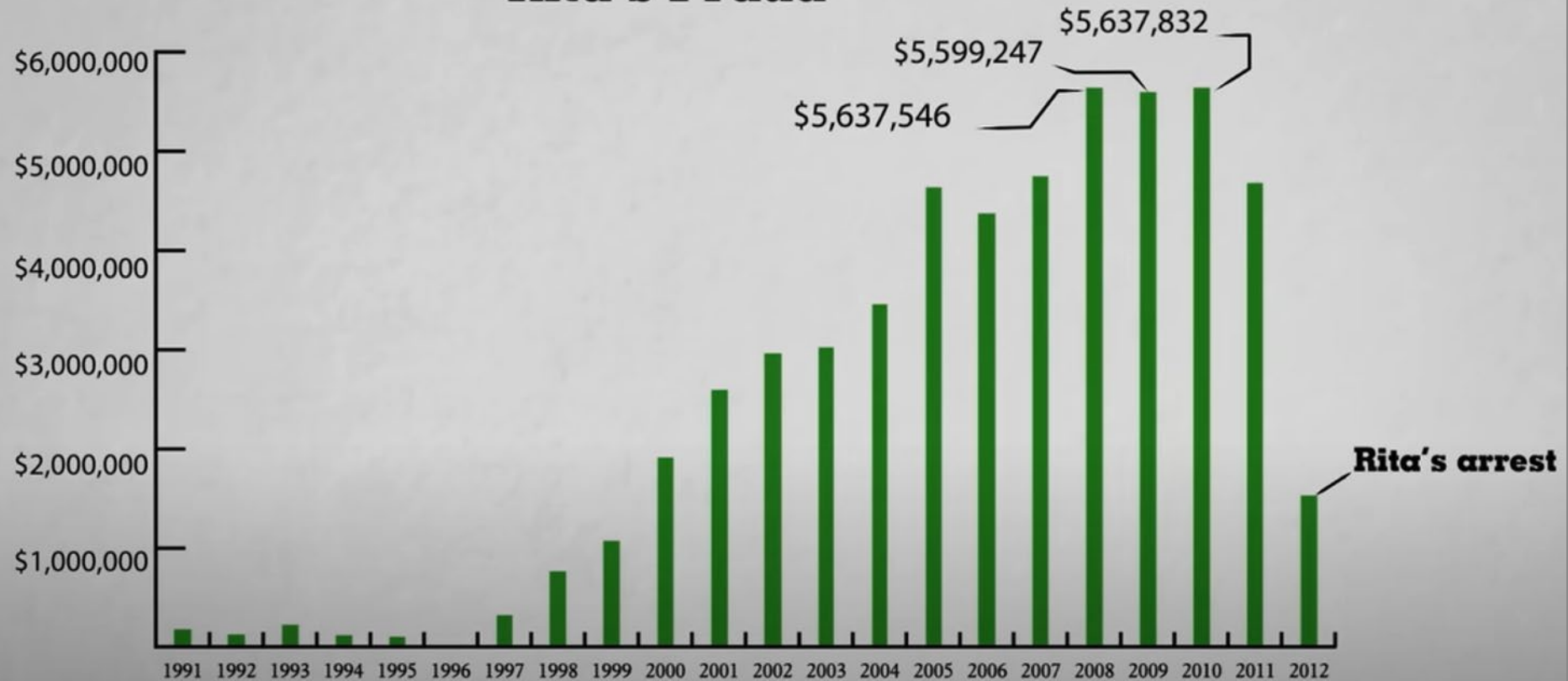
Control Weakness

- Lack of Segregation of Duties, Rita could:
- Write Checks
- Approve payments
- Create and monitor the budget
- Enter transactions into system
- Reconcile the bank statements
- Set up a bank account

Multiple people should perform accounting duties, not just one.



Rita's Fraud



What did she buy?

- She used the money to fund one of the top quarter horse ranches in the country.
- Her horses won lots of awards
- She owned around 300 quarter horses
- \$2.1 million motor coach vehicle

Aftermath

- Rita was arrested in 2012 and sentenced to 19 years in prison
- Judge ordered Rita to pay the City of Dixon Restitution \$53,740,394
+ Agreed Forfeiture Judgement in the same amount \$53,740,394
Total of \$107,480,788
- Fun Fact: Based on her \$65/per month prison salary = it would take over 120,000 years to pay back the city
- She spent less than 8.5 years (43% of her sentence) in prison before being released in mid-2021 to serve the remainder of her sentence in home confinement at her brother's 80 acres in Dixon.

City of Dixon

- Various avenues to recover stolen funds
- Sale of Assets (Rita's property, horses & vehicles)
- Insurance Claims
- Civil Lawsuits (Rita, Auditors, Bank)
- Bankruptcy Proceedings
- How much was paid in Attorney Fees?
- Unknown Impact (Delayed Projects/**Reputation**)?

Fraud Cases

- Under 6 months: Median loss is roughly \$40,000.
- 12 months (Typical): Median loss reaches \$76,000 to \$104,000 depending on the specific sub-sector.
- 24 to 36 months: Median loss climbs to \$250,000.
- Over 5 years: Median loss skyrockets past \$1.1 million

*Data from Association of Certified Fraud Examiners

Average 14 months before detection



Fraud by Authority Level

- Executive / Board Member: Responsible for 39% of nonprofit cases, with a median loss of \$250,000.
- Manager / Supervisor: Responsible for 35% of cases, with a median loss of \$95,000.
- Regular Employee: Responsible for 23% of cases, with a median loss of \$21,000

*Data from Association of Certified Fraud Examiners



What do you believe is the most common initial detection of fraud?

- Whistleblower Tips: Accounts for 43% of all detections, with more than half of those tips originating from internal employees with 33% coming from tipline or email.
- Internal Audits: Uncovers 17% of cases.
- Management Reviews: Uncovers 13% of cases.
- Accidental Discovery: Uncovers 7% of cases

*Data from Association of Certified Fraud Examiners



What Contributes to Fraud?

- 32% — Lack of Internal Controls
- 19% — Override of Existing Internal Controls
- 18% — Lack of Management Review
- 10% — Lack of Competent Personnel in Oversight Roles
- 8% — Lack of Independent Checks/Audits
- 6% — Lack of Employee Awareness of Fraud Risks
- 5% — Lack of Clear Authority/Responsibility

Small Businesses Fraud

CERTAIN FRAUD RISKS WERE MORE LIKELY
IN **SMALL BUSINESSES** THAN
THAN IN LARGE ORGANIZATIONS:



LARGE
ORGANIZATIONS



SMALL
BUSINESSES



Billing fraud



2X HIGHER

Occurs twice as often
in small businesses.



Payroll



2X HIGHER

Small business
payrolls are twice as
vulnerable.



Check and payment
tampering



4X HIGHER

Significantly higher
risk (4X) of check and
payment manipulation.

*Data based on historical analysis and reporting

Department Fraud

MORE THAN HALF of all occupational frauds came from these four departments:



Fraud by Gender

Female- \$85,000 median loss

Male \$150,000 median loss

Men committed
72% of all
occupational
fraud



Internal Controls

Controls are the policies and procedures established to protect the utility and produce reliable records.

- Controls address recording, processing, summarizing, and reporting financial information.
- They help protect the utility's resources.
- They make theft more difficult and encourage honest behavior.
- They also maintain the accuracy of transaction reporting.
- Systems that place low priority on accurate financial statements are more exposed to fraud and embezzlement.

No control system is foolproof, but weak controls invite preventable risk.



Internal Control Puzzle

1. Control environment

The attitude of the board/council and management toward policies and procedures.

2. Accounting system

Methods and records used to identify, classify, record, and report transactions

3. Control procedures

Specific policies and procedures designed to achieve control objectives

Control Environment

Control environment factors

- Management's philosophy and operating style.
- Personnel policies and practices.
- Methods of assigning authority and responsibility.

Accounting system requirements

- Identify, assemble, analyze, classify, record, and report transactions.
- Maintain accountability for related assets and liabilities.
- Keep documentation to support entries and generate financial statements.

Cash disbursement controls protect payments

Board approval

Invoices should be approved by the board or city council before payment.

Check support

Checks should be prepared with applicable invoices attached for review and signature.

Paid documentation

Invoice should be stamped paid and show check number, date paid, and category.

Organized filing

Paid invoices should be filed by category or vendor.

Variance review

Compare actual disbursements to budget and explain significant variances.

Independent reconciliation

Bank reconciliations should be prepared or reviewed independently; cash handlers should be bonded.

Budget comparisons and bank reconciliations are part of the control structure.

Cash receipt controls protect collections

Lock box

If practicable, customers mail payments to the financial institution, which prepares a listing.

Independent opening

If no lock box, an employee independent of accounting opens mail and prepares a receipt listing and duplicate deposit slip.

Independent posting

Someone independent of cash handling posts receipts; otherwise board/council reviews postings.

Monthly A/R list

Board receives current and past-due account information.

Delinquency approval

Board approves delinquent accounts and meters to be turned off.

The same person should not approve transactions, handle cash, and record transactions.

Preventative Internal Controls

Segregation of Duties

- Two approvals of each invoice & two board members approve weekly payment*
- Two signatures required on all checks*

*Different from the staff that can create checks or enter transactions in the system

Preventative Controls

- Different person deposits checks & cash to bank
- Background Checks on employees (hiring & periodically)
- Bank requires a Resolution by governing body to set up account
- Required Vacation

Preventative Controls

- Insurance - Bonding employees/board
- User access rights and permissions in accounting/utility system
- Physical Security Measures (locks, cameras)
 - Lock Check Stock

Preventative Controls

- Reconciliations and audit
- Cash is reconciled each month by a separate person then who makes deposits
- Bank Statements are accessible by more than the person completing the reconciliation
- Board Treasurer reviews Reconciliation of approved payment batches to the Check Register each month.



Preventative Controls

Reconciliations and audit

- General Journal Entries are reviewed
- Independent Auditors

Correcting Entries and Process Improvements

- Password Reset
- Data Restoration from backups in event of a loss

1. It is OK for small systems to have one person open the mail, authorize transactions, handle cash, and record transactions.
2. Which items are part of the board/council's responsibility for internal controls: approving invoices, letting the manager sign checks, understanding fund flow, or letting available staff handle money?
3. What practical review role should the board/council play when staffing is limited?

- Internal control begins with leadership attitude and becomes visible in daily procedures.
 - Board/council members have fiduciary responsibilities for funds and for compliance with accounting, purchasing, and recordkeeping standards.
- If leadership is not involved and interested, an effective internal control structure is unlikely.
 - Control procedures should design and use adequate documents and records.
- The highest-risk areas are cash receipts and cash disbursements.
 - Transactions and activities should be properly authorized.
 - A common rule: no one employee should authorize transactions, handle cash, and record transactions.
 - Small systems may need the board/council to serve as reviewer when personnel are limited.

Internal control is a process designed to provide reasonable assurance regarding:

- A. Only fraud prevention
- B. Reliable financial reporting, safeguarding assets, compliance, efficiency
- C. Preparation of tax returns
- D. Maximizing Profits

Explanation: Internal control ensures reliable reporting, operational efficiency, safeguarding of assets, and compliance with laws



One characteristic of internal control is that it:

- A. Works the same for all organizations
- B. Must be customized depending on size and nature of entity
- C. Guarantees zero errors
- D. Eliminates fraud completely

Explanation: Internal control varies depending on the organization's size, complexity, and nature



Which of the following is not an objective of internal control?

- A. Safeguarding assets
- B. Ensuring compliance with laws
- C. Reducing operating costs
- D. Reliable financial reporting

Explanation: Cost reduction may result from controls, but it is not a primary objective

The foundation of internal control, influencing employees' awareness, is called:

- A. Control Activities
- B. Control Environment
- C. Monitoring
- D. Risk Assessment

Explanation: Control environment sets the tone at the top and is the foundation



Segregation of duties is best described as:

- A. Assigning on person multiple roles
- B. Assigning responsibilities to avoid conflicts
- C. Management override
- D. Eliminating human error

Explanation: Duties like custody, authorization, and recording should be separated.



Auditors' role in internal control is to:

- A. Establish and design the system
- B. Assess and test the effectiveness of controls
- C. Operate the controls daily
- D. Eliminate all risks

Explanation: Auditors do not create controls, but they must understand and test them

Internal controls can feel uncomfortable to discuss, but fiduciary responsibility belongs to the governing body. The goal is to protect the utility as much as possible.



CONCLUSION

Trust but Verify

*Good Internal Controls are VERY IMPORTANT,
poor Internal Controls are a HUGE RISK*

No control system is foolproof, but weak controls
invite preventable risk.



Jason Pennell
Compliance Specialist
Kentucky Rural Water Association
j.pennell@krwa.org

