REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AGREED-UPON PROCEDURES ENGAGEMENT
OF THE
MILBURN WATER DISTRICT

For The Period
January 1, 2018 Through December 31, 2018

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SUMMARY OF PROCEDURES AND FINDINGS

AGREED-UPON PROCEDURES OF THE
MILBURN WATER DISTRICT

For The Period January 1, 2018 Through December 31, 2018

The Milburn Water District engaged the Auditor of Public Accounts (APA) to obtain an Agreed-Upon Procedures (AUP) engagement for the period January 1, 2018 through December 31, 2018 in accordance with KRS 65A.040 (5)(b). AUP reports present the procedures performed and the results of those procedures, called findings. This summary is intended to present findings for which an exception (an instance of noncompliance with the criteria) was identified during the AUP engagement.

During the AUP engagement of the Milburn Water District, the following exceptions were noted:

- No minutes, articles of incorporation, by-laws, or local ordinance were available to determine if the governing body met as required
- Budget Estimates were not submitted to DLG by the submission deadline. No minutes of meetings were provided therefore; we could not determine if a budget estimate and amendments were ever adopted by the board.
- The SPGE was not able to provide any documentation of monthly bank reconciliations. There were no transfers noted between the district's accounts during the reporting period.
- Checks written to an employee or member of the governing body were examined and it could not be determined if they were for official business, due to no supporting documentation. The board could not provide a ledger, so it could not be determined if disbursements were recorded correctly. No minutes of meetings were provided, so it could not be determined if disbursements were approved by the board. There were no documented policies that the SPGE was required to follow.
- The SPGE did not have supporting documentation for 10 of the 25 expenditures tested, so we could not determine if disbursements were for legitimate business purposes. No minutes of meetings were provided; therefore, we could not determine if the disbursements were approved by the board. The SPGE could not provide any ledgers so we could not determine if the disbursements were recorded correctly. There were no documented policies that the SPGE was required to follow.
- No minutes of meetings were provided; therefore, it could not be determined if the debt financing arrangement was approved by the board.
- The SPGE's employees during the reporting period were disclosed as contract employees but the SPGE was unable to provide a contract or written agreement to document the arrangement. Therefore, it could not be determined if contracted employees were paid as agreed.
- No minutes of meetings were provided; therefore, we could not determine if the meetings were held as required. The SPGE's Financial Disclosure Reports were submitted to DLG each year before the deadline. The SPGE is complying with the frequency of attestation engagements required under KRS 65A.030; however, the 2018 attestation was not performed within 12 months from the end of the fiscal year.

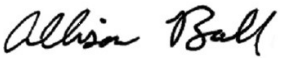
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Milburn Water District exceptions (Continued)

- The SPGE could not provide documentation that the treasurer had an executed bond. No minutes of meetings were provided; therefore, we could not determine if the treasurer's bond had been executed or approved. The only reports available were the reports submitted to DLG and Public Service Commission. Current officers of the SPGE could not provide ledgers or other underlying supporting records. We could not determine if the board's treasurer's report was submitted within 90 days of the close of the fiscal year.

Findings related to procedures for which there were no exceptions identified, and official responses to exceptions are not included in the summary above but can be found in the full report. A copy of this report is available on the Auditor of Public Accounts' website at auditor.ky.gov.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

July 15, 2026

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Accountant's Report
On Applying Agreed-Upon Procedures

The Honorable Keith Crider, Chairman Milburn Water District
Members of the Milburn Water District Board

We have performed the procedures enumerated below, which were agreed to by the Milburn Water District, related to the Milburn Water District's management and board of directors compliance with *The Department of Local Government Attestation Engagements for Special Purpose Government Entities* regarding the accountability for receipts, disbursements, recordkeeping, leases, contracts, and liabilities during the period January 1, 2018 through December 31, 2018. An agreed-upon procedures engagement involves the APA performing specific procedures that the Milburn Water District has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. The Milburn Water District's management is responsible for compliance with these requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose. The Milburn Water District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining the Milburn Water District's compliance with *The Department of Local Government Attestation Engagements for Special Purpose Government Entities* regarding the accountability for receipts, disbursements, recordkeeping, leases, contracts, and liabilities. The purpose of the engagement is to assist users in determining whether the Milburn Water District complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. General Procedures:

1.1 Review minutes of the meetings of the SPGEs governing body. Determine whether the governing body met on a routine and consistent basis, and in compliance with the SPGEs articles of incorporation, by-laws, or local ordinance by performing the following procedures:

a. Inspect the minutes of the SPGE's governing body and the SPGE's articles of incorporation, by-laws, or local ordinance and document if the governing body met on the basis required in the articles of incorporation, by-laws, or local ordinance.

b. Determine minutes were sufficient in detail to identify debt approved during the year, expenditure approvals, and salary adjustment approvals, and any other information significant to the governance and operations of the SPGE.

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1. General Procedures: (Continued)

1.1 (Continued)

c. Read the minutes of the SPGE's governing body and determine that the minutes included significant actions of the governing board documenting the adopted budget, approval of debt issuance, salary approvals and adjustments, and expenditure approvals.

Finding:

No minutes, articles of incorporation, by-laws, or local ordinance were available to determine if the governing body met as required.

Chairman's Response: Every meeting will have minutes taken.

1.2 Obtain a copy of, or access online, the SPGE's Financial Disclosure Report submitted to the Department for Local Government (DLG). Through review and inquiry, determine the following:

a. The Budget Estimates were submitted to DLG by the submission deadline. In the SPGE Public Portal (portal), inspect the SPGE Financial Disclosure Report and determine if budget estimates were submitted to DLG within fifteen (15) days following the beginning of the fiscal period for which the adopted budget applies.

b. The data reported agrees to the approved SPGE budget, adopted by the governing board/council/commission and recorded in official meeting minutes.

c. Compare the budget on the portal submitted to DLG to the budget that was adopted by the governing body of the SPGE and determine that the reported amounts agree to the adopted budget. Document any variances within 5% of the total budget.

Finding:

Budget Estimates were not submitted to DLG by the submission deadline. No minutes of meetings were provided therefore; we could not determine if a budget estimate and amendments were ever adopted by the board.

Chairman's Response: Budget Estimates will be submitted on time.

1.3 Obtain a copy of the SPGE's Financial Disclosure Report submitted to DLG. Through review and inquiry, determine the following:

a. The Amendments/Transfers and Year-End-Actuals were submitted to DLG by the submission deadline. Obtain the SPGE Financial Disclosure Report submitted to the DLG portal and determine if the SPGE's budget amendments, budget transfers, and year end actual amounts were submitted within 60 days of the close of the fiscal period.

b. Trace the SPGE's Financial Disclosure Report amounts submitted to the DLG portal to ledger or other cumulative receipts and expenditures listing of sufficient detail and determine whether the data reported agrees to the SPGE supporting records. For example, actual amounts should agree to the SPGE general ledger or other source records. Document any errors within 5% of the total receipts and expenditures, underlying records that did not exist, or insufficient records.

1. General Procedures: (Continued)

1.3 (Continued)

Finding:

No exceptions were found as a result of applying this procedure.

Chairman's Response: All reports will be uploaded to the SPGE website for DLG.

1.4 For each bank account held by the SPGE, review a sample of bank statements for 4 months during the engagement period, one of which should be the last month of the SPGE's fiscal year. Determine the following:

a. Obtain bank confirmations to confirm the year-end balances. Confirm period end balances for each bank account held by the SPGE.

b. Determine bank reconciliations were performed for each month selected.
   i. For each bank account held by the SPGE, select three months bank statements and the period end bank statement. Determine that bank reconciliations were performed for each month selected.
   ii. Determine they are mathematically correct, amounts trace to bank statements and ledger balances, and that reconciling items are appropriate.
   iii. Determine if discrepancies in the bank reconciliations selected that exceed 3% of the period end bank balance were investigated.

c. Determine transfers to/from the bank account(s) were appropriately recorded in the SPGE accounting ledgers and trace to sufficient supporting documentation. From the bank statements selected, determine transfers to/from the bank were recorded to the SPGE ledgers and trace 25 to their supporting documentation.

Finding:

Year-end account balances have been confirmed. The SPGE was not able to provide any documentation of monthly bank reconciliations. There were no transfers noted between the district's accounts during the reporting period.

Chairman's Response: Going forward there will be monthly reconciliation of the bank accounts.

1.5 Using the 4 bank statements selected in Procedure 3 above, scan checks to:

a. Identify any checks made payable to an SPGE employee or member of governing body. For any checks written to such individuals other than routine payroll payments, trace to supporting documentation to determine that payment was for a legitimate business purpose, was authorized, properly recorded in the SPGE's disbursements ledger, and was in line with governing body policies.

b. From the bank statements selected, identify any payments to an SPGE employee or member of the governing body. For any non-payroll related expenses, trace to supporting documentation and determine it was for a legitimate business purpose, was authorized, recorded in the SPGE ledgers, and within the governing body's procurement policies.

1. General Procedures: (Continued)

1.5 (Continued)

Finding:

Checks written to an employee or member of the governing body were examined and it could not be determined if they were for official business, due to no supporting documentation. The board could not provide a ledger, so it could not be determined if disbursements were recorded correctly. No minutes of meetings were provided, so it could not be determined if disbursements were approved by the board. There were no documented policies that the SPGE was required to follow.

Chairman's Response: All employees will turn in invoices when they are to be paid.

1.6 From the disbursements ledger:

a. Select for further review any single payment exceeding 5% of total expenditures. Trace payments to supporting documentation to determine that the payment was for a legitimate business purpose, was authorized, properly recorded in the SPGE's disbursement ledger, and was in line with governing body procurement procedures.

b. Select for further review an additional 25 payments at random. Trace payments to supporting documentation to determine that the payment was for a legitimate business purpose, was authorized, properly recorded, and was in line with governing body procurement procedures.

Finding:

The SPGE did not have supporting documentation for 10 of the 25 expenditures tested, so we could not determine if disbursements were for legitimate business purposes. No minutes of meetings were provided; therefore, we could not determine if the disbursements were approved by the board. The SPGE could not provide any ledgers so we could not determine if the disbursements were recorded correctly. There were no documented policies that the SPGE was required to follow.

Chairman's Response: Going forward the appropriate documentation will be done.

1.7 Obtain statements related to all debt and financing arrangements related to the SPGE. Determine the following:

a. Debt/financing was approved by the governing body.

b. The SPGE is current in its debt service/financing payments.

c. Obtain debt and financing arrangements related to the SPGE to determine if they are approved by the governing body and that it is current in its debt service/financing payments.

Finding:

No minutes of meetings were provided; therefore, it could not be determined if the debt financing arrangement was approved by the board; however, it appears the loan was repaid in accordance with the amortization schedule and has since been paid off.

Chairman's Response: The board will hold a meeting and vote on all things with SPGE.

1. General Procedures: (Continued)

1.8 Obtain a list of all paid employees of the SPGE. Select a sample of 5 employees, one of which should be the agency head, and test the following:

a. If employee is on contract, review the contract to determine it is up-to-date and that payments/benefits paid to the employee during the year were in line with contractual requirements.

b. For all contract employees inspect the contract agreement with the SPGE and determine if the contract is current and if the employee is receiving pay and benefits in accordance with the contract requirements. For non-contract employees, sample 4 pay periods to ensure the employee was paid the appropriate pay rate, overtime rate, timesheets were reviewed and approved by a supervisor, and any salary adjustments made during the year were approved by the governing body and appropriately documented in the employee file.

c. Obtain a list of employees from the SPGE's records and randomly select the timesheets of 4 pay periods for 5 employees including the agency head. Determine these employees are paid their appropriate rates, timesheets are approved, salary adjustments were approved by the appropriate governing body, and updated within the employee file.

Finding:

The SPGE's employees during the reporting period were disclosed as contract employees but the SPGE was unable to provide a contract or written agreement to document the arrangement. Therefore, it could not be determined if contracted employees were paid as agreed.

Chairman's Response: Written contracts will be created with current and new employees.

1.9 Procedure - For the previous three (3) fiscal years since the last audit or attestation engagement, perform the following procedures:

a. Review minutes of meetings of the SPGE's governing body to determine that meetings were held in accordance with requirements identified in Procedure 1.1 above during the non-engagement periods.

b. Determine if the SPGE meetings were held in accordance with requirements of the SPGE's articles of incorporation, by-laws, or local ordinance by inspecting the previous three fiscal years documented minutes.

c. Review the SPGE's Financial Disclosure Reports submitted to DLG each year to determine that the SPGE complied with completing the form and submitting it to DLG.

d. Determine if the SPGE is completing their annual financial disclosure report to DLG by observing in the portal the previous three fiscal years records submitted.

e. Based on the financial information reported, determine whether the SPGE is complying with the frequency of engagements and appropriate level of assurance identified in KRS 65A.030.

f. Determine if an attestation engagement has been completed once every four years since July 1, 2014.

1. General Procedures: (Continued)

1.9 (Continued)

Finding:

No minutes of meetings were provided; therefore, we could not determine if the meetings were held as required. The SPGE's Financial Disclosure Reports were submitted to DLG each year before the deadline. The SPGE is complying with the frequency of attestation engagements required under KRS 65A.030; however, the 2018 attestation was not performed within 12 months from the end of the fiscal year.

Chairman's Response: The board will meet and approve documents that are being submitted to DLG.

Additional Agreed-Upon Procedures For Specific SPGE's (Water Districts)

2. Procedure Applied – Water District

a. Determine the treasurer of the commission has an executed bond in an amount and with such surety as determined by the commission. [KRS 74.050]

b. Obtain the annual statement of receipts and disbursements, and any floating or bonded indebtedness prepared for consumer availability for the period under engagement. Ensure the report is mathematically accurate, reconciles to supporting documentation, and presents information as required by KRS 74.240. [KRS 74.240(2)]

c. Determine that all money derived from bonds issued under KRS 74.280 to 74.310 complies with KRS 74.300

Finding:

The SPGE could not provide documentation that the treasurer had an executed bond. No minutes of meetings were provided; therefore, we could not determine if the treasurer's bond had been executed or approved. The only reports available were the reports submitted to DLG and Public Service Commission. Current officers of the SPGE could not provide ledgers or other underlying supporting records. We could not determine if the board's treasurer's report was submitted within 90 days of the close of the fiscal year. The SPGE did not issue bonds.

Chairman's Response: The bookkeeper will be getting bonded.

We were engaged by the Milburn Water District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Milburn Water District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements established by the Comptroller General of the United States in *Government Auditing Standards* related to our agreed-upon procedures engagement.

The purpose of this report is to present the procedures performed and the results of those procedures and is not intended for any other purpose. This report is intended solely for the information and use of the Milburn Water District and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, KY

July 15, 2026

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FINANCIAL DISCLOSURE REPORT

MILBURN WATER DISTRICT

For The Period January 1, 2018 Through December 31, 2018

Appendix A

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MILBURN WATER DISTRICT

EID: **10328** | CYCLE: **JAN-DEC** | PARTICIPATION DATE: **01/01/2015**

ACTIVE NON-COMPLIANT

FY 2018 WATER DISTRICT FINANCIAL DISCLOSURE REPORT

Approved by governing body? * Yes

OPERATING REVENUES	ESTIMATES	AMENDED	ACTUALS
Operating Revenues	$61,000.00	($2,000.00)	$57,120.00
Total Operating Revenues	$61,000.00	($2,000.00)	$57,120.00
OPERATING EXPENSES			
Operating Expenses	$60,100.00	$8,000.00	$68,194.00
Total Operating Expenses	$60,100.00	$8,000.00	$68,194.00
Operating Income (Loss)	$900.00	($10,000.00)	($11,074.00)
OTHER INCOME (DEDUCTIONS)			
Non-Operating Revenues (Expenses)	$0.00	$0.00	$5,184.00
Proceeds from Capital Contributions	$0.00	$0.00	$0.00
Total Other Income (Deductions)	$0.00	$0.00	$5,184.00
Change in Net Position	$900.00	($10,000.00)	($5,890.00)
Principal Loan Payments	$0.00	$0.00	$0.00
Total Approved Grant Exemptions (Payouts)			
Net Position (beginning of year)	N/A	N/A	$0.00
Net Position (end of year)	N/A	N/A	($5,890.00)

FY 2018 Approved Grant Exemption Payout Detail (See Instructions)

Grant Date	Payout Amount	Grant Source	Grant Purpose Category	Grant Purpose	Acknowledg
	Total: $0.00				

Currently, there are no records

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