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Independent Accountants' Report
on Applying Agreed-Upon Procedures

To the Board of Commissioners
Lake Whatcom Water and Sewer District
Bellingham, Washington

We have performed the procedures listed below, agreed to by the management of Lake Whatcom Water and Sewer District (the District), solely to assist in testing internal controls over specific areas described below for the period of January 1, 2018 through August 31, 2018. Management is responsible for the controls over books, records and reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management as specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We updated our understanding of the District's policies and procedures for recording journal entries. We received a copy of the current policies in place and relevant resolutions.
2. We judgmentally selected a sample of 35 journal entries and reviewed each for proper authorization, supporting documentation, and posting to the general ledger.

We viewed supporting documentation for the sample of journal entries that included revenues, expenditures, payroll, and wire transfers noting that they were authorized and recorded in a timely and accurate manner. No exceptions were found in our review.

3. We reviewed the chart of accounts for proper use.

We viewed the general ledger and accompanying support which consisted of the three binders, one for each quarter through August 31, 2018. No exceptions were noted regarding the use of the chart of accounts within the general ledger.

4. We performed walkthroughs of the internal controls over records and record keeping.

Each employee has a unique BIAS username and a unique password. Only the Finance Director Debi Denton has access to the General Ledger and all journal entries are reviewed by the General Manager. Other employees have limited access specifically related to their duties. We determined vouchers payable and payroll data were reviewed and authorized by the Board of Commissioner's each month.

5. We ascertained whether physical records are securely retained and accounting systems are backed-up regularly.

Management of the District relies on BIAS to back up the systems. If there is an issue with the back-up, management receives an electronic response from BIAS. In such a case, BIAS troubleshoots the issue and corrects it. We recommend management take a more active role in ensuring that records are successfully backed up and not rely as much on BIAS to alert the District because the alerts in the past come days after the backup should have taken place. Specifically, we suggest tasking an employee to view the backup file on a daily basis to ensure the automated backup file is completed.

6. We inquired of management the procedures in place to ensure proper reporting.

We observed that journal entries and financial reports are reviewed and approved by the Finance Director and General Manager. Additionally, the District participates in a financial audit each year by the State Auditor's Office, obtaining reasonable assurance that the District's financial statements are free from material misstatement.

7. We reviewed the District's fixed-asset listing as of August 31, 2018 for proper record keeping. We noted no exceptions with regard to the fixed-assets costs, life, or acquisition date. We sampled two asset disposals, noting that the district properly sold equipment through a third party auction.
8. We reviewed the District's 2018 budget and compared the budget to actual for each individual month (January – August 2018).

We noted no significant variances that were not noted and discussed by the Board of Commissioners during a board meeting. The analysis of deemed significant variances of budgeted vs. actual were recorded in each monthly general ledger notebook.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the operation of internal controls. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

VSH PLLC

Bellingham, Washington
September 28, 2018