

EAST LAUREL WATER DISTRICT
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

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Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITORS' REPORT

To the Commissioners
East Laurel Water District
London, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of East Laurel Water District, as of and for the years ended December 31, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the East Laurel Water District, as of December 31, 2023, and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the East Laurel Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit program.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Laurel Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, such opinion is expressed.
- Evaluate the appropriateness of accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023, on our consideration of the East Laurel Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Laurel Water District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Certified Public Accountants
London, Kentucky

May 30, 2024

EAST LAUREL WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Years ended December 31, 2023 and 2022

This discussion and analysis is intended to be an easily readable analysis of the East Laurel Water District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements and notes that follow. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

FINANCIAL HIGHLIGHTS

- In 2023, the District's net position increased by \$39,230, or 0.95%, compared to a decrease in 2022 of \$280,666 or 6.37%.
- In 2023, sales of water increased by \$67,055 or 2.33%. In 2022, sales decreased by \$32,381 or 2.75%.
- Operating expenses decreased by \$134,062 or 4.07% in 2023 compared to an increase of \$95,788, or 2.99% in 2022.
- Additions to capital assets in 2023 were \$230,016. In 2022, additions to capital assets were \$127,719.
- Principal payments on long-term debt amounted to \$107,000 in 2023, compared to \$101,000 in 2022.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of the management's discussion and analysis and the basic financial statements. The financial statements include notes that explain information included in the basic financial statements.

FINANCIAL STATEMENTS

The financial statements report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The financial statements also include a statement of cash flows, which presents sources and uses of cash and changes in cash balances during the fiscal year.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**EAST LAUREL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Years ended December 31, 2023 and 2022

NET POSITION

A summary of the District's statement of net position as of December 31, 2023, and 2022 is presented below:

	<u>2023 Amount</u>	<u>2022 Amount</u>	<u>Net dollar Change</u>	<u>Net percentage Change</u>
Current and other assets	\$ 767,915	\$ 738,458	\$ 29,457	3.99%
Noncurrent assets	174,482	166,097	8,385	5.05%
Capital assets, net of accumulated depreciation	<u>5,979,319</u>	<u>5,986,659</u>	<u>(7,340)</u>	-0.12%
Total Assets	<u><u>6,921,716</u></u>	<u><u>6,891,214</u></u>	<u><u>30,502</u></u>	0.44%
Deferred outflow of resources	<u>228,575</u>	<u>239,425</u>	<u>(10,850)</u>	-4.53%
Total Deferred Outflow of Resources	<u><u>228,575</u></u>	<u><u>239,425</u></u>	<u><u>(10,850)</u></u>	-4.53%
Current liabilities	687,684	597,042	90,642	15.18%
Noncurrent liabilities	<u>2,297,457</u>	<u>2,407,677</u>	<u>(110,220)</u>	-4.58%
Total Liabilities	<u><u>2,985,141</u></u>	<u><u>3,004,719</u></u>	<u><u>(19,578)</u></u>	-0.65%
Net investment in capital assets	3,584,092	3,483,832	100,260	2.88%
Restricted net positions	174,482	166,097	8,385	5.05%
Unrestricted (deficit) net positions	<u>406,576</u>	<u>475,991</u>	<u>(69,415)</u>	-14.58%
Total Net Position	<u><u>\$ 4,165,150</u></u>	<u><u>\$ 4,125,920</u></u>	<u><u>\$ 39,230</u></u>	0.95%

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

A summary of the District's statement of revenues, expenses, and changes in net position for the year ended December 31, 2023, and 2022 is presented below:

	<u>2023 Amount</u>	<u>2022 Amount</u>	<u>Net dollar Change</u>	<u>Net percentage Change</u>
Operating revenue	\$ 3,216,890	\$ 3,064,549	\$ 152,341	4.97%
Nonoperating revenue	<u>67,868</u>	<u>1,284</u>	<u>66,584</u>	5185.67%
Total revenue	<u><u>3,284,758</u></u>	<u><u>3,065,833</u></u>	<u><u>218,925</u></u>	7.14%
Depreciation expense	237,356	235,197	2,159	0.92%
Other operating expense	2,923,329	3,059,550	(136,221)	-4.45%
Nonoperating expense	<u>84,843</u>	<u>51,752</u>	<u>33,091</u>	63.94%
Total expense	<u><u>3,245,528</u></u>	<u><u>3,346,499</u></u>	<u><u>(100,971)</u></u>	-3.02%
Changes in net position	39,230	(280,666)	319,896	-113.98%
Net position, beginning	<u>4,125,920</u>	<u>4,406,586</u>	<u>(280,666)</u>	-6.37%
Net position, ending	<u><u>\$ 4,165,150</u></u>	<u><u>\$ 4,125,920</u></u>	<u><u>\$ 39,230</u></u>	0.95%

**EAST LAUREL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Years ended December 31, 2023 and 2022

CAPITAL ASSETS

On December 31, 2023, the District's investment in capital assets, net of depreciation, totaled \$5,979,319, which is a decrease of \$7,340, or 0.123%, over the capital asset balance of \$5,986,659 at December 31, 2022. This decrease is attributable to the depreciation expense exceeding the additional fixed assets added for the year ended December 31, 2023.

LONG-TERM DEBT

As of December 31, 2023, the District had long-term debt of \$2,389,000 compared to \$2,496,000 at December 31, 2022, including current portion. During the year ended December 31, 2023, the District paid \$107,000 of principal payments on the long-term debt compared to \$101,000 in 2022.

CONTACT INFORMATION

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning this report or request for additional information should be addressed to the Office Manager, Dewayne Lewis, at East Laurel Water District, London, Kentucky, 40741 or by calling (606) 878-9420.

**EAST LAUREL WATER DISTRICT
STATEMENTS OF NET POSTION
December 31, 2023 and 2022**

ASSETS	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 264,078	\$ 260,507
Investments	-	-
Accounts receivable, less allowance for doubtful accounts	351,742	325,856
Unbilled accounts receivable	151,219	151,219
Interest receivable	-	-
Prepaid expense	876	876
Total current assets	<u>767,915</u>	<u>738,458</u>
Noncurrent assets		
Restricted assets		
Restricted cash and cash equivalents	<u>174,482</u>	<u>166,097</u>
Capital assets		
Nondepreciable capital assets		
Land and land structures	79,749	79,749
Construction in progress	<u>79,500</u>	<u>15,000</u>
Total nondepreciable capital assets	<u>159,249</u>	<u>94,749</u>
Depreciable capital assets		
Source of supply and pumping	394,827	394,827
Intangible	6,608	6,608
Pumping plant	9,385	9,385
Transmission and distribution	11,852,129	11,686,613
General plant	38,874	38,874
Less accumulated depreciation	<u>(6,481,753)</u>	<u>(6,244,397)</u>
Total depreciable capital assets	<u>5,820,070</u>	<u>5,891,910</u>
Total capital assets (net of depreciation)	<u>5,979,319</u>	<u>5,986,659</u>
Total noncurrent assets	<u>6,153,801</u>	<u>6,152,756</u>
Total assets	<u>\$ 6,921,716</u>	<u>\$ 6,891,214</u>
DEFERRED OUTFLOW OF RESOURCES		
Other deferred costs	<u>228,575</u>	<u>239,425</u>
Total deferred outflow of resources	<u>228,575</u>	<u>239,425</u>
Total assets and deferred outflow of resources	<u>\$ 7,150,291</u>	<u>\$ 7,130,639</u>

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

**EAST LAUREL WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022**

LIABILITIES	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 516,924	\$ 428,937
Accrued expenses	28,535	26,225
Accrued interest	34,725	36,380
Current portion of long-term debt	<u>107,500</u>	<u>105,500</u>
Total current liabilities	<u>687,684</u>	<u>597,042</u>
Noncurrent liabilities		
Customer deposits	9,730	10,350
Unamortized premium on debt	6,227	6,827
Long-term debt	<u>2,281,500</u>	<u>2,390,500</u>
Total noncurrent liabilities	<u>2,297,457</u>	<u>2,407,677</u>
 Total liabilities	 <u>2,985,141</u>	 <u>3,004,719</u>
NET POSITION		
Invested in capital assets net of related debt	3,584,092	3,483,832
Restricted for		
Debt service	165,352	157,131
Other purposes	9,130	8,966
Unrestricted	<u>406,576</u>	<u>475,991</u>
Total net position	<u>4,165,150</u>	<u>4,125,920</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 7,150,291</u>	 <u>\$ 7,130,639</u>

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

EAST LAUREL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water sales	\$ 2,943,458	\$ 2,876,403
Tap-on fees	55,230	56,700
Other	<u>218,202</u>	<u>131,446</u>
Total operating revenues	<u>3,216,890</u>	<u>3,064,549</u>
Operating expenses		
Purchased water and power	1,627,544	1,787,416
Water treatment	44,070	49,517
Transmission and distribution	732,871	706,108
Administration of customer accounts	366,226	343,315
Administration and general	152,618	173,194
Depreciation	<u>237,356</u>	<u>235,197</u>
Total operating expenses	<u>3,160,685</u>	<u>3,294,747</u>
Operating income (loss)	<u>56,205</u>	<u>(230,198)</u>
Nonoperating revenues (expenses)		
Interest income	3,368	1,284
Grant income	64,500	-
Miscellaneous expense	(5,255)	(5,908)
Interest expense:		
Interest on long-term debt	(69,339)	(35,689)
Amortization	<u>(10,249)</u>	<u>(10,155)</u>
Total nonoperating revenues (expenses)	<u>(16,975)</u>	<u>(50,468)</u>
Change in net position	39,230	(280,666)
Net position as of January 1	<u>4,125,920</u>	<u>4,406,586</u>
Net position as of December 31	<u>\$ 4,165,150</u>	<u>\$ 4,125,920</u>

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

EAST LAUREL WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Receipts from customers	\$ 3,191,004	\$ 3,061,713
Payment for goods and service	<u>(2,835,468)</u>	<u>(3,083,087)</u>
Net cash used in operating activities	<u>355,536</u>	<u>(21,374)</u>
Cash flows from capital and related activities		
Additions to capital assets	(230,016)	(127,719)
Principal payments on debt	(107,000)	(101,000)
Interest paid on debt	(69,339)	(35,689)
Grant revenue	64,500	-
Miscellaneous nonoperating expense	<u>(5,255)</u>	<u>(5,908)</u>
Cash provided (used) in capital and related activities	<u>(347,110)</u>	<u>(270,316)</u>
Cash flows from investing activities		
Certificate of Deposit maturity	-	422,788
Interest received on investments	<u>3,530</u>	<u>1,446</u>
Cash provided (used) in investing activities	<u>3,530</u>	<u>424,234</u>
Net increase (decrease) in cash and cash equivalents	11,956	132,544
Cash and cash equivalents as of January 1,	<u>426,604</u>	<u>294,060</u>
Cash and cash equivalents as of December 31,	<u>\$ 438,560</u>	<u>\$ 426,604</u>
Reconciliation of change in net position to net cash used in operating activities		
Adjustments to reconcile change in net position to net cash used in operating activities:		
Operating income	\$ 56,205	\$ (230,198)
Depreciation	237,356	235,197
Changes in assets and liabilities:		
(Increase) Decrease in customer and other accounts receivable	(25,886)	(2,836)
Increase (Decrease) in customer and other accounts payable	88,481	(24,267)
Increase (Decrease) in customer deposits	<u>(620)</u>	<u>730</u>
Net cash provided by operating activities	<u>355,536</u>	<u>(21,374)</u>
Supplemental disclosures		
Interest paid	<u>69,339</u>	<u>35,689</u>
Reconciliation of cash at end of year		
Cash and cash equivalents	264,078	260,507
Restricted cash and cash equivalents	<u>174,482</u>	<u>166,097</u>
Total cash at end of year	<u>\$ 438,560</u>	<u>\$ 426,604</u>

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

EAST LAUREL WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

East Laurel Water District, of Laurel County, Kentucky (the District) was created in 1969 under Chapter 74 of the Kentucky Revised Statutes and is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The District is governed by a three-person board of Commissioners, which is appointed by the Laurel County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

East Laurel Water District is a rural water utility system whose purpose is to establish, develop, and operate a water supply and distribution system for its members and customers in the eastern portion of Laurel County, Kentucky. The District's primary source of revenue is from water sales to its members and customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitute GAAP for governmental units. In addition, the District applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

The statement of net position and statement of revenues, expenses and changes in net position display information about the District as a whole. These statements include all funds of the District. The statements distinguish between governmental and business-type activities. The District does not have any governmental activities.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash and investments), with maturities of 90 days or less to be cash equivalents. This includes bank certificates of deposit and demand checking accounts.

Investments

The District is authorized by state statute to invest in: 1) obligations of the United States and of its agencies and instrumentalities; 2) bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; 3) shares of any savings and loan insured by an agency of the government of the United States up to the amount so insured; 4) interest bearing deposits in nationally chartered or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts provided such bank shall pledge, as security, obligations of the United States government, its agencies and instrumentalities.

The District's investments include certificates of deposits with maturity dates of three months or more. Certificates of deposits in excess of FDIC insurance are collateralized by securities held by the pledging bank.

Accounts Receivable

Accounts receivable arise as services are rendered for which collections have not been realized and are carried net of a provision for doubtful accounts. The provision for doubtful accounts is estimated using a percentage of accounts more than 90 days past due. At December 31, 2023, and 2022, the provision for doubtful accounts was \$3,048 and \$3,048, respectively.

Unbilled Receivables

The District estimated unbilled revenues from water sales, on a pro rata basis, at the end of each fiscal year. The estimated amount is based on amounts billed during the month following the close of the fiscal year.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, and equipment that have a useful life of more than one reporting period based on the District’s capitalization policy. The cost of additions to the utility plant and major replacements of retired property is capitalized, and the cost of repairs, maintenance, and minor replacements is recorded as expense. By District policy, capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life more than one year. Cost includes direct labor, outside services, materials, and transportation employee fringe benefits, and overhead. Interest incurred during construction is capitalized.

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from disposal is credited or recorded in the non-operating section of the statements of revenues, expenses, and changes in net assets. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The range of useful lives of assets is as follows:

<u>Assets Classification</u>	<u>Range of Lives</u>
Intangible	40 years
Transmission and distribution mains	50 years
Structures and improvements	40 years
Pumping and water treatment equipment	25 years
Meters, hydrants and services	35-40 years
Other equipment	5-10 years

Accounts Payable

Accounts payable represent expenses incurred in the current year to be paid in the subsequent year. Most of the District’s accounts payable are to vendors or for the purchase of water.

Long-Term Debt

Long-term debt is reported as liabilities. Loan discount or premium is amortized over the term of the respective loans outstanding using the straight-line method. At December 31, 2023, the unamortized value of loan premium was \$6,227.

Other Deferred Costs

During 1994, East Laurel Water District transferred \$542,500 to Wood Creek Water District for a tap-on fee in accordance with the Water Purchase Contract which was revised on June 1, 1994. The fee is being amortized over a 50-year period as instructed by the Public Service Commission and is recorded by the District as other deferred costs. At December 31, 2023, the amortized value of other deferred costs was \$228,575.

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer Deposits

The District collects and holds in escrow a \$60 deposit from customers to insure collection of its water charges. Interest at an annual rate of 1% is paid on these deposits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets and any unamortized debt cost or premium.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 – RESTRICTED CASH

The District restricts all sinking fund deposits, funds required for other debt service, and funds related to specific projects or customer accounts. At December 31, 2023, and 2022, restricted cash amounted to \$174,482 and \$166,097, respectively. This includes restrictions for customer deposits of \$9,730 and \$10,350 and restrictions for debt service of \$164,752 and \$155,747, respectively.

NOTE 3 – INVESTMENTS – INTEREST RATE RISK

According to KRS 91A.060, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The District classifies only certificates of deposit as investments and does not consider interest rate risk to be significant.

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 4 – CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, and 2022, the District's bank balances were \$435,440 and \$435,838 respectively. In accordance with Kentucky Revised Statute (KRS) 91A.060, deposits are to be collateralized to the extent uninsured by FDIC. According to KRS 41.240(4), it shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District's deposits were fully insured or collateralized with securities held by an agent of the District in the District's name at December 31, 2023, and 2022.

NOTE 5 – CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

At December 31, 2023, customer and other accounts receivable are as follows:

Due from consumers for sale of water	\$ 354,790
Allowance for doubtful accounts	<u>(3,048)</u>
	<u>\$ 351,742</u>

The above accounts receivable does not include unbilled receivables of \$151,219.

Continued on the next page.

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, and 2022 was as follows:

	Balance		Balance	
	<u>December 31, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2023</u>
Land and Improvements	\$ 79,749	\$ -	\$ -	\$ 79,749
Construction in progress	15,000	64,500	-	79,500
Intangible	6,608	-	-	6,608
Source of Supply and Pumping	394,827	-	-	394,827
Water Treatment Plant	9,385	-	-	9,385
Transmission and Distribution Plant	11,686,613	165,516	-	11,852,129
General Plant	38,874	-	-	38,874
Total Capital Assets	12,231,056	230,016	-	12,461,072
Less: Accumulated depreciation				
Intangible	6,608	-	-	6,608
Source of supply and pumping	197,531	7,270	-	204,801
Pumping plant	8,366	34	-	8,400
Transmission and distribution plant	5,995,564	229,589	-	6,225,153
General plant	36,328	463	-	36,791
Total accumulated depreciation	6,244,397	237,356	-	6,481,753
Total Capital Assets, Net	\$ 5,986,659	\$ (7,340)	\$ -	\$ 5,979,319
	Balance		Balance	
	<u>December 31, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2022</u>
Land and Improvements	\$ 79,749	\$ -	\$ -	\$ 79,749
Construction in progress	-	15,000	-	15,000
Intangible	6,608	-	-	6,608
Source of Supply and Pumping	394,827	-	-	394,827
Water Treatment Plant	9,385	-	-	9,385
Transmission and Distribution Plant	11,573,894	112,719	-	11,686,613
General Plant	38,874	-	-	38,874
Total Capital Assets	12,103,337	127,719	-	12,231,056
Less: Accumulated depreciation				
Intangible	6,608	-	-	6,608
Source of supply and pumping	190,261	7,270	-	197,531
Pumping plant	8,332	34	-	8,366
Transmission and distribution plant	5,768,133	227,431	-	5,995,564
General plant	35,865	463	-	36,328
Total accumulated depreciation	6,009,199	235,198	-	6,244,397
Total Capital Assets, Net	\$ 6,094,138	\$ (107,479)	\$ -	\$ 5,986,659

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 7 – LONG-TERM DEBT

The District’s long-term debt consists of bonds payable to Rural Development (RD) and Kentucky Rural Water Finance Corporation (KRWFC), which were obtained for various acquisitions of plant and equipment and to refinance a prior issue. The bonds mature annually in varying series over the period 2038 to 2055. A summary of the bonds is presented below:

RURAL DEVELOPMENT									
<u>Date of Issue</u>	<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>12/31/22 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/23 Outstanding Balance</u>	<u>Due Within One Year</u>
2/16/2016	91-15	\$ 1,373,000	2/16/2055	2.50%	\$ 1,256,000	\$ -	\$ 22,000	\$ 1,234,000	\$ 22,500
Total RD Bonds Payable					<u>\$ 1,256,000</u>	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$ 1,234,000</u>	<u>\$ 22,500</u>
KRWFC									
2/19/2015	2015B	\$ 1,835,000	1/1/2039	2.250-3.50%	1,240,000	-	85,000	1,155,000	85,000
Total KRWFC Bonds Payable					<u>\$ 1,240,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 1,155,000</u>	<u>\$ 85,000</u>
Total Outstanding Debt					<u>\$ 2,496,000</u>	<u>\$ -</u>	<u>\$ 107,000</u>	<u>\$ 2,389,000</u>	<u>\$ 107,500</u>

Future bond principal and interest payment amounts are as follows:

See Table on Next Page

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 7 – LONG-TERM DEBT – (continued)

LOCAL			
YEAR	PRINCIPAL	INTEREST	TOTAL
2024	107,500	67,675	175,175
2025	113,000	64,263	177,263
2026	94,000	61,075	155,075
2027	95,000	58,188	153,188
2028	100,500	55,200	155,700
2029	101,500	52,113	153,613
2030	102,500	49,000	151,500
2031	108,000	45,788	153,788
2032	114,000	42,394	156,394
2033	115,000	38,841	153,841
2034	86,000	35,716	121,716
2035	92,000	31,950	123,950
2036	93,000	29,038	122,038
2037	94,000	27,100	121,100
2038	100,000	24,050	124,050
2039	101,500	20,881	122,381
2040	37,500	18,819	56,319
2041	39,000	17,863	56,863
2042	40,000	16,875	56,875
2043	41,500	15,856	57,356
2044	42,500	14,806	57,306
2045	44,000	13,725	57,725
2046	45,500	12,606	58,106
2047	47,000	11,450	58,450
2048	48,500	10,256	58,756
2049	50,000	9,025	59,025
2050	51,500	7,756	59,256
2051	53,500	6,444	59,944
2052	55,000	5,088	60,088
2053	57,000	3,688	60,688
2054	58,500	2,244	60,744
2055	60,500	756	61,256
	\$ 2,389,000	\$ 870,525	\$ 3,259,525

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 8 – SERVICES PROVIDED TO OTHER WATER DISTRICTS

East Laurel Water District has no employed personnel except for its board members. The District obtains all maintenance, construction (including materials), and office services through contractual agreements with Wood Creek Water District. Wood Creek Water District bills, at cost, East Laurel Water District for services and materials monthly. East Laurel Water District also purchases water for resale from Wood Creek Water District.

At December 31, 2023, and 2022, the District had accounts payable to Wood Creek Water District as follows:

	<u>2023</u>	<u>2022</u>
<u>Wood Creek Water District</u>		
Accounts Payable	\$ 259,222	\$ 306,308
Accounts Payable - Wastewater	252,970	114,814
	<u>\$ 512,192</u>	<u>\$ 421,122</u>

Amounts paid to Wood Creek Water District for purchased water and for materials and services provided to East Laurel Water District are as follows:

	<u>2023</u>	<u>2022</u>
<u>Wood Creek Water District</u>		
Purchased water	\$ 1,579,574	\$ 1,736,672
Materials, labor, and other	985,207	977,176
	<u>\$ 2,564,781</u>	<u>\$ 2,713,848</u>

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. The insurance coverage is acquired through Wood Creek Water District which includes coverage for Wood Creek Water District, East Laurel Water District, and West Laurel Water Association, Incorporated. The District pays for and is entitled to its respective share of coverage. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

**EAST LAUREL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2023 and 2022

NOTE 10 – SUBSEQUENT EVENTS

Management of the District has evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. Management performed this evaluation through May 30, 2024, the date on which the financial statements were available to be issued. No events have occurred that would require adjustment to the financial statements.



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

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

To the Commissioners
East Laurel Water District
London, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of East Laurel Water District, as of and for the years ended December 31, 2023, and 2022, and the related notes to the financial statements, which collectively comprise East Laurel Water District's basic financial statements, and have issued our report thereon dated May 30, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Laurel Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Laurel Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Laurel Water District's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Laurel Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
May 30, 2024