

**Monroe County Water District**  
**Financial Statements**  
**December 31, 2023 and 2022**



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## INDEPENDENT AUDITOR'S REPORT

Monroe County Water District  
Tompkinsville, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of the Monroe County 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 Monroe County Water 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 Monroe County Water District, as of December 31, 2023 and 2022, and the respective changes in financial position, and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Monroe County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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 Monroe County 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.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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 and *Government 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 substantial likelihood that, individually or in the 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 and *Government 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 Monroe County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant 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 Monroe County Water 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 on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe County Water District's basic financial statements. The accompanying budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2024 on our consideration of the Monroe County 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 effectiveness of Monroe County Water District's 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 the Monroe County Water District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

April 23, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Monroe County Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal years ending December 31, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

For the year ending December 31, 2023, total operating and non-operating revenues (including capital contributions) totaled \$2,926,667. This represents a 2% increase in total revenues from the prior year.

Total operating and non-operating expenses amounted to \$2,801,332 an increase of \$84,757 from the prior year. The district had increases in repairs and maintenance, insurance and depreciation expenses as well as less wages capitalized into plant in 2023.

Total assets decreased by \$318,059 and total liabilities decreased by \$443,394. These changes resulted in an increase in net position of \$125,335.

### **Overview of the Financial Statements**

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the Financial Statements.

### **Required Financial Statements**

The financial statements of Monroe County Water District report information of Monroe County Water District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of Monroe County Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Monroe County Water District creditors (liabilities). It also provides the basis for evaluation of the capital structure of Monroe County Water District and assessing the liquidity and financial flexibility of Monroe County Water District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of Monroe County Water District's operations over the past year and can be used to determine whether Monroe County Water District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as, where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Monroe County Water District  
Summary of Net Position  
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Total current assets	\$ 2,675,526	\$ 2,539,602
Total restricted assets	1,087,160	1,132,437
Net capital assets	<u>22,561,487</u>	<u>22,970,193</u>
<b>Total Assets</b>	<u>26,324,173</u>	<u>26,642,232</u>
<b>Liabilities</b>		
Total current liabilities	284,321	259,158
Total liabilities payable from restricted assets	572,627	563,278
Total long-term liabilities	<u>12,134,134</u>	<u>12,612,040</u>
<b>Total Liabilities</b>	<u>12,991,082</u>	<u>13,434,476</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	9,894,203	9,832,943
Restricted for equipment replacement	867,197	915,766
Restricted for debt retirement	180,486	178,603
Unrestricted	<u>2,391,205</u>	<u>2,280,444</u>
<b>Total Net Position</b>	<u>\$ 13,333,091</u>	<u>\$ 13,207,756</u>

The largest portion (74%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding.

Restricted net position (8%) represents resources that are subject to external restrictions on how they may be used.

The balance (18%) of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers and creditors.



**Monroe County Water District  
Summary of Net Position  
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Total operating revenues	\$ 2,784,047	\$ 2,808,823
Total operating expenses	<u>2,625,669</u>	<u>2,540,843</u>
Operating Income	158,378	267,980
Total non-operating revenue (expenses)	<u>(72,418)</u>	<u>(161,453)</u>
Income before capital contributions	85,960	106,527
Capital contributions	<u>39,375</u>	<u>46,440</u>
Increase (decrease) in net position	125,335	152,967
Net position, beginning of year	<u>13,207,756</u>	<u>13,054,789</u>
Net position, end of year	<u>\$ 13,333,091</u>	<u>\$ 13,207,756</u>

Net position increased by \$125,335 from the prior year.

Capital Asset Changes

At December 31, 2023, the District had invested \$22,561,487 in capital assets net of accumulated depreciation. This amount represents a net decrease of \$408,706 from the previous year. This decrease is the result of having more depreciation expense than capital asset additions in the current year.

The Monroe County Water District completed projects during 2023, including 18,160 feet of water line extensions. There were 46 new water connections set for service during the year of 2023. The Board has been collaborating with Barren River Area Development District and Precision Engineering and has allocated ARPA funds from Monroe County Fiscal Court for the Tank Rehabilitation Project. Also, City of Gamaliel has submitted CDBG and ARC applications for funding for the Gamaliel Improvements Project. Cleary Construction installed and completed the Backwash Pump Project at the Water Treatment Plant in 2023. The Monroe County Water District has been very active in a meter testing program, testing 1336 meters in 2023.

In 2023 Monroe County Water District received an Area Wide Optimization Program Award (AWOP) for 2022 which was an honor to receive. In August 2022 MCWD won the Best Tasting Water Challenge in Kentucky hosted by Kentucky Rural Water Association, and we were eligible for the Nationals in Washington DC. What an honor this was to be part of this elite group. MCWD had two representatives to attend the Water Rally in February, Commissioner Richard Ross and Lead Treatment Operator David Flowers. Plans were made in the fall of 2023 to upgrade the meter reading handheld software as well as the billing software. The handheld was completed in 2023 but billing software is scheduled for the spring of 2024. The Lead Service Inventory requirements were implemented with assistance with Kentucky Rural Water Association. In late December, the Water Treatment Plant Intake has some issues due to water levels in the Cumberland River. Work has been implemented to correct these issues for the future problems. Every year seems to be a hardship on the water industry. The increase cost of materials, equipment and supplies and the additional requirements are a burdensome. Each department at MCWD strives to continue and maintain excellent service to each customer of the utility.

### **Budgetary Highlights**

The Monroe County Water District adopts an annual operating budget after careful considerations of prior year and anticipated current year operations. The operating budget includes proposed expenses and the means to finance them. The District's operating budget remains in effect the entire year and is not revised. A budgetary comparison and analysis is presented on page 19 of this report.

### **Debt Administration**

At December 31, 2023, the District had \$12,614,968 long term debt outstanding, a decrease of \$522,282 from the prior year's balance of \$13,137,250. The District incurred \$174,199 in interest expense associated with long term debt.

### **Request for Information**

This financial report is designed to provide our customers and creditors with a general overview of Monroe County Water District's finances and to demonstrate Monroe County Water District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Monroe County Water District at 205 Capp Harlan Road, Tompkinsville, Kentucky 42167, or by phone (270) 487-8131.

**MONROE COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

<b>Assets</b>	<u>2023</u>	<u>2022</u>
<b>Current Assets</b>		
Cash	\$ 2,176,885	\$ 1,994,501
Accounts receivable	351,870	325,377
Inventory	146,771	219,724
Total Current Assets	<u>2,675,526</u>	<u>2,539,602</u>
<b>Non-current Assets</b>		
Restricted Assets		
Cash - Depreciation fund	867,197	915,766
Cash - Bond and interest redemption fund	<u>219,963</u>	<u>216,671</u>
Total Restricted Assets	<u>1,087,160</u>	<u>1,132,437</u>
Capital Assets		
Right of use asset net of amortization	67,528	-
Land and land rights	249,842	249,842
Utility plant in service	31,078,231	30,772,285
Furniture and equipment	1,171,325	1,171,325
Accumulated depreciation and amortization	<u>(10,005,439)</u>	<u>(9,223,259)</u>
Net Capital Assets	<u>22,561,487</u>	<u>22,970,193</u>
Total Non-current Assets	<u>23,648,647</u>	<u>24,102,630</u>
Total Assets	<u>\$ 26,324,173</u>	<u>\$ 26,642,232</u>

**MONROE COUNTY WATER DISTRICT**  
**Statements of Net Position, Concluded**  
**December 31, 2023 and 2022**

<b>Liabilities</b>	<u>2023</u>	<u>2022</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 73,063	\$ 64,478
Customer deposits	82,650	78,688
Accrued liabilities	<u>128,608</u>	<u>115,992</u>
Total Current Liabilities	<u>284,321</u>	<u>259,158</u>
<b>Liabilities Payable from Restricted Assets</b>		
Current maturities of long-term debt	533,150	525,210
Accrued interest	<u>39,477</u>	<u>38,068</u>
Total Liabilities Payable from Restricted Assets	<u>572,627</u>	<u>563,278</u>
<b>Long-term Liabilities</b>		
Right of use lease liability	52,316	-
Bonds, noncurrent portion, net of discount	1,442,188	1,578,224
KIA loan	<u>10,639,630</u>	<u>11,033,816</u>
Total Long-term Liabilities	<u>12,134,134</u>	<u>12,612,040</u>
 Total Liabilities	 <u>12,991,082</u>	 <u>13,434,476</u>
<b>Net Position</b>		
<b>Net Position</b>		
Invested in capital assets, net of related debt	9,894,203	9,832,943
Restricted for equipment replacement	867,197	915,766
Restricted for debt retirement	180,486	178,603
Unrestricted	<u>2,391,205</u>	<u>2,280,444</u>
 <b>Total Net Position</b>	 <u>\$ 13,333,091</u>	 <u>\$ 13,207,756</u>

**MONROE COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and Change in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating revenues:</b>		
Residential water sales	\$ 2,406,785	\$ 2,576,622
Commerical water sales	299,153	147,747
Penalty collections	38,308	37,236
Miscellaneous	39,801	47,218
Total operating revenues	<u>2,784,047</u>	<u>2,808,823</u>
<b>Operating expenses:</b>		
Employees' salaries and wages	630,203	589,389
Employees' pensions and benefits	217,029	218,863
Utilities	225,432	242,569
Repairs and maintenance	156,755	131,175
Chemicals	190,108	190,832
Water analysis fees	19,926	14,033
Meter readers	61,839	55,181
Office expense	67,837	69,885
Transportation expenses	41,971	47,159
Insurance	65,909	52,127
Commissioners' fees	6,000	6,000
Payroll tax expense	48,733	46,198
Telephone	18,978	18,329
Depreciation	808,045	791,407
PSC tax assessment	3,657	4,151
Meter deposit interest expense	385	361
Bad debt expense	16,595	12,939
Professional fees	18,125	17,810
Miscellaneous	28,142	32,435
Total operating expenses	<u>2,625,669</u>	<u>2,540,843</u>
Operating income	<u>158,378</u>	<u>267,980</u>
<b>Non-operating revenue (expenses):</b>		
Rental income	45,158	-
Interest income	57,637	14,279
Amortization of bond discount	(1,464)	(1,464)
Interest expense on bonds	(174,199)	(174,268)
Gain on sale of assets	450	-
Total non-operating revenue (expenses)	<u>(72,418)</u>	<u>(161,453)</u>
Income/(loss) before capital contributions	<u>85,960</u>	<u>106,527</u>
<b>Capital contributions:</b>		
Tap fees	<u>39,375</u>	<u>46,440</u>
Total capital contributions	<u>39,375</u>	<u>46,440</u>
Change in net position	125,335	152,967
<b>Net position:</b>		
Beginning of year	<u>13,207,756</u>	<u>13,054,789</u>
End of year	<u>\$ 13,333,091</u>	<u>\$ 13,207,756</u>

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

**MONROE COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 2,744,921	\$ 2,789,719
Cash payments to suppliers for goods and services	(887,471)	(940,764)
Cash payments to employees for services	(834,616)	(823,558)
Net cash provided (used) by operating activities	<u>1,022,834</u>	<u>1,025,397</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on long-term debt	(523,746)	(513,328)
Interest paid on long-term debt	(172,790)	(176,765)
Additions to capital assets	(331,811)	(164,711)
Proceeds from sale of assets	450	-
Capital contributions	39,375	46,440
Net cash provided (used) in financing activities	<u>(988,522)</u>	<u>(808,364)</u>
<b>Cash flows from investing activities:</b>		
Rental income	45,158	-
Interest income	57,637	14,279
Net cash provided by (used) in investing activities	<u>102,795</u>	<u>14,279</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	137,107	231,312
Cash and cash equivalents, beginning of year	<u>3,126,938</u>	<u>2,895,626</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,264,045</u>	<u>\$ 3,126,938</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 158,378	\$ 267,980
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	808,045	791,407
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(26,493)	(21,728)
(Increase) decrease in inventory	72,953	(13,252)
(Increase) decrease in right of use asset	(67,528)	-
Increase (decrease) in accounts payable	8,585	7,673
Increase (decrease) in customer deposits	3,962	2,623
Increase (decrease) in right of use liability	52,316	-
Increase (decrease) in accrued liabilities	12,616	(9,306)
Net cash provided (used) by operating activities	<u>\$ 1,022,834</u>	<u>\$ 1,025,397</u>

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

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies**

Organization

The Monroe County Water District was organized in 1975 under KRS 74.010 to provide water service to the residents of Monroe County, Kentucky. The District's commissioners are appointed by the Monroe County Judge-Executive.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Monroe County, Kentucky.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, net of accumulated depreciation and 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.
- *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 “invested in capital assets, net of related debt.”

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2023 and 2022. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of additions to the utility plant and major replacements of retired units of property is capitalized. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ending December 31, 2023 and 2022 was \$808,045 and \$791,407, respectively.

The estimated useful lives of capital assets are as follows:

Transmission and Distribution	62.5 years
Distribution Reservoirs	45 years
Meter Installs and Services	40 years
Structures and Improvements	38 years
Pumping Equipment	20 years
Vehicles and Equipment	10 years

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.



**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

Operating Revenues and Expenses

Operating revenues consist of those revenues that result from the ongoing principal operations of the District. Operating expenses consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the years ending December 31, 2023 and 2022, the District had complied with this requirement.

Inventory

Inventory is valued at the lower of cost or net realizable value using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected in accrued liabilities.

Leases

GASB Statement No. 87 established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable.

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded**

Depreciation Fund

The ordinances authorizing the various debt issues of the District require monthly transfers into a depreciation fund until the maximum requirement of \$709,520 is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2023 and 2022, the District had complied with this requirement.

**Note 2 – Capital Assets**

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

	Balance 01/01/23	Additions	Deletions	Balance 12/31/23
<u>Capital Assets not being depreciated</u>				
Land and Rights	\$ 249,842	\$ -	\$ -	\$ 249,842
Total Non-Depreciable Capital Assets	<u>249,842</u>	<u>-</u>	<u>-</u>	<u>249,842</u>
<u>Capital Assets being depreciated</u>				
Structures and Improvements	455,354	-	-	455,354
Pumping Equipment	530,863	-	-	530,863
Distribution Reservoirs	3,427,587	-	-	3,427,587
Transmission and Distribution Mains	13,002,186	35,620	-	13,037,806
Services	120,774	-	-	120,774
Meters and Installations	1,193,743	126,743	(25,865)	1,294,621
Other Plant	32,370	-	-	32,370
Furniture and Equipment	121,528	-	-	121,528
Transportation Equipment	124,318	-	-	124,318
Power Operated Equipment	362,245	-	-	362,245
Source of Supply-Structures	469,428	-	-	469,428
Source of Supply-Intakes	1,721,484	-	-	1,721,484
Pumping Plant-Structures	442,646	-	-	442,646
Pumping Plant-Equipment	2,520,447	169,448	-	2,689,895
Water Treatment Plant-Structures	2,730,981	-	-	2,730,981
Water Treatment Plant-Equipment	4,687,656	-	-	4,687,656
Total Depreciable Capital Assets	<u>31,943,610</u>	<u>331,811</u>	<u>(25,865)</u>	<u>32,249,556</u>
Less: Accumulated Depreciation and Amortization	<u>9,223,259</u>	<u>808,045</u>	<u>(25,865)</u>	<u>10,005,439</u>
Total Net Capital Assets	<u>\$ 22,970,193</u>			<u>\$ 22,493,959</u>

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 2 – Capital Assets, Concluded**

	Balance 01/01/22	Additions	Deletions	Balance 12/31/22
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 249,842	\$ -	\$ -	\$ 249,842
Total Non-Depreciable Capital Assets	249,842	-	-	249,842
<i>Capital Assets being depreciated</i>				
Structures and Improvements	427,778	27,576	-	455,354
Pumping Equipment	530,863	-	-	530,863
Distribution Reservoirs	3,427,587	-	-	3,427,587
Transmission and Distribution Mains	12,999,525	2,661	-	13,002,186
Services	120,774	-	-	120,774
Meters and Installations	1,135,397	75,015	(16,669)	1,193,743
Other Plant	32,370	-	-	32,370
Furniture and Equipment	121,528	-	-	121,528
Transportation Equipment	124,318	-	-	124,318
Power Operated Equipment	339,873	22,372	-	362,245
Source of Supply-Structures	469,428	-	-	469,428
Source of Supply-Intakes	1,721,484	-	-	1,721,484
Pumping Plant-Structures	442,646	-	-	442,646
Pumping Plant-Equipment	2,520,447	-	-	2,520,447
Water Treatment Plant-Structures	2,730,981	-	-	2,730,981
Water Treatment Plant-Equipment	4,650,569	37,087	-	4,687,656
Total Depreciable Capital Assets	31,795,568	164,711	(16,669)	31,943,610
Less: Accumulated Depreciation and Amortization	8,448,521	791,407	(16,669)	9,223,259
Total Net Capital Assets	\$ 23,596,889			\$ 22,970,193

**Note 3 – Long-Term Debt**

Long-term debt consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Bonds payable:		
Series 1999 Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$270,000; due in annual installments on January 1 ranging from \$2,500 to \$15,500 through January 2038; interest rate of 4.75% due semi-annually on January 1 and July 1.	\$ 167,500	\$ 175,000
Series 2017 Water Revenue Bonds issued through KACo in the amount of \$2,170,000; due in annual installments on January 1 ranging from \$130,000 to \$20,000 through January 2042; interest rate of 3.37% due semi-annually on January 1 and July 1.	1,440,000	1,565,000
Total bonds payable	\$ 1,607,500	\$ 1,740,000

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 3 – Long-Term Debt, Continued**

	<u>2023</u>	<u>2022</u>
Loan Payable, Kentucky Infrastructure Authority:		
A loan in the amount of \$15,675,679 was approved for construction of the regional water treatment plant and system improvements. During construction, \$2,904,091 of the loan was forgiven. Principal payments ranging from \$190,207 to \$237,211 are due semi-annually through year 2049 along with interest of 1% due June 1 and December 1	\$ 11,033,816	\$ 11,425,062
Total loans payable	<u>\$ 11,033,816</u>	<u>\$ 11,425,062</u>

Long-term debt activities for the years ended December 31, 2023 and 2022 are as follows:

	Balance 01/01/23	Additions	Debt Payments and Reductions	Balance 12/31/23	Amount Due within One Year
Bond Series 1999	\$ 175,000	\$ -	\$ (7,500)	\$ 167,500	\$ 7,500
Bond Series 2017	1,565,000	-	(125,000)	1,440,000	130,000
KIA Loan	11,425,062	-	(391,246)	11,033,816	394,186
	13,165,062	-	(523,746)	12,641,316	531,686
Bond discount	(27,812)	-	1,464	(26,348)	1,464
Debt, net of discount	<u>\$ 13,137,250</u>	<u>\$ -</u>	<u>\$ (522,282)</u>	<u>\$ 12,614,968</u>	<u>\$ 533,150</u>

  

	Balance 01/01/22	Additions	Debt Payments and Reductions	Balance 12/31/22	Amount Due within One Year
Bond Series 1999	\$ 175,000	\$ -	\$ -	\$ 175,000	\$ 7,500
Bond Series 2017	1,690,000	-	(125,000)	1,565,000	125,000
KIA Loan	11,813,390	-	(388,328)	11,425,062	391,246
	13,678,390	-	(513,328)	13,165,062	523,746
Bond discount	(29,276)	-	1,464	(27,812)	1,464
Debt, net of discount	<u>\$ 13,649,114</u>	<u>\$ -</u>	<u>\$ (511,864)</u>	<u>\$ 13,137,250</u>	<u>\$ 525,210</u>

Principal and interest maturities of long-term debt are as follows:

	Principal	Interest	Total
2024	\$ 531,686	\$ 164,376	\$ 696,062
2025	540,648	155,747	696,395
2026	548,632	146,901	695,533
2027	552,139	137,928	690,067
2028	540,668	129,125	669,793
2029-2033	2,617,081	532,183	3,149,264
2034-2038	2,430,798	345,729	2,776,527
2039-2043	2,318,538	198,063	2,516,601
2044-2048	2,323,915	76,127	2,400,042
2049	237,211	1,186	238,397
	<u>\$ 12,641,316</u>	<u>\$ 1,887,365</u>	<u>\$ 14,528,681</u>

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 3 – Long-Term Debt, Concluded**

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and at December 31, 2023 does not expect to incur a liability.

**Note 4 – Lease**

The District leases 5 trucks from Don Franklin Somerset Inc. under a 36 month operating lease for \$1,677 per month. The lease expires September 2026. At December 31, 2023 the District had a right of use asset with a balance of \$67,528 included in capital assets and a right of use lease liability of \$52,316 included in long-term liabilities. As this lease did not provide an implicit rate of interest, the District used its incremental borrowing rate of 4% based on information available at the adoption date in determining the present value of the lease payments.

The future maturities of the lease liability as of December 31, 2023 are as follows:

Year Ending December 31	
2024	\$ 20,121
2025	20,121
2026	<u>15,091</u>
Total lease payments	55,333
Less: interest	<u>(3,017)</u>
Present value of lease payments	<u>\$ 52,316</u>

**Note 5 – Cash and Investments**

The carrying amount of the District’s cash deposits was \$3,264,045 and \$3,126,938 for the years ending December 31, 2023 and 2022, respectively and the bank balances were \$3,259,159 and \$3,125,554. The difference between book and bank balances primarily represents checks that have been issued but have not cleared the bank. All of the District’s deposits were either insured by FDIC or by collateral pledged by the financial institution.

**Note 6 – Pension Plan**

The District provided a defined contribution plan, as of January 1, 2006, to its employees, who meet certain age and length of service requirements set forth by the Board of Commissioners. The plan is a deferred compensation plan as defined by the IRC 457(b). The District contributes 8% of covered payroll and each employee contributes 4% of their wages. For the years ended December 31, 2023 and 2022, employer contributions were \$46,746 and \$45,891 respectively and employee contributions were \$23,373 and \$22,946, respectively. Voluntary contributions were \$530 in 2023 and \$530 in 2022. Covered payroll was approximately \$584,000 and \$581,000 for years 2023 and 2022, respectively.

**Note 7 – Subsequent Events**

Management has evaluated subsequent events through April 23, 2024, the date which the financial statements were available to be issued.

## **Supplemental Information**

**MONROE COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and Change in Net Position- Budget and Actual**  
**For the Year Ended December 31, 2023**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues:</b>			
Water sales	\$ 2,850,000	\$ 2,705,938	\$ (144,062)
Penalties and other	<u>53,000</u>	<u>78,109</u>	<u>25,109</u>
Total operating revenues	<u>2,903,000</u>	<u>2,784,047</u>	<u>(118,953)</u>
<b>Operating expenses:</b>			
Salaries and benefits	760,000	901,965	(141,965)
Materials	500,000	476,597	23,403
Contractual	68,000	61,839	6,161
Insurance	62,000	65,909	(3,909)
Utilities	268,000	225,432	42,568
Depreciation	795,000	808,045	(13,045)
Other	<u>150,000</u>	<u>85,882</u>	<u>64,118</u>
Total operating expenses	<u>2,603,000</u>	<u>2,625,669</u>	<u>(22,669)</u>
Operating income	<u>300,000</u>	<u>158,378</u>	<u>(141,622)</u>
<b>Non-operating revenue (expenses):</b>			
Interest income and other	15,000	57,637	42,637
Rental income	43,694	44,144	450
Interest expense on bonds	<u>(172,789)</u>	<u>(174,199)</u>	<u>(1,410)</u>
Total non-operating revenue (expenses)	<u>(114,095)</u>	<u>(72,418)</u>	<u>41,677</u>
Income before capital contributions	<u>185,905</u>	<u>85,960</u>	<u>(99,945)</u>
<b>Capital contributions</b>			
Tap fees	<u>40,000</u>	<u>39,375</u>	<u>(625)</u>
Total capital contributions	<u>40,000</u>	<u>39,375</u>	<u>(625)</u>
Increase/(Decrease) in net position	<u>\$ 225,905</u>	<u>\$ 125,335</u>	<u>\$ (100,570)</u>



INDEPENDENT AUDITOR'S 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*

Monroe County Water District  
Tompkinsville, 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 the Monroe County 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 Monroe County Water District's basic financial statements, and have issued our report thereon dated April 23, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Monroe County Water District's internal control over financial reporting (internal control) as a basis for designing 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 the Monroe County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Monroe County 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Monroe County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky

April 23, 2024

