

REID VILLAGE WATER DISTRICT
Mount Sterling, Kentucky

Audited Financial Statements
For the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board Members
Reid Village Water District
Mount Sterling, Kentucky

We have audited the accompanying financial statements of the business-type activities of the Reid Village Water District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Reid Village 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 Reid Village Water District, as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Reid Village 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 opinion.

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 Reid Village 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 opinion. 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 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, 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 Reid Village 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 Reid Village 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Reid Village Water District's basic financial statements. The comparative statement of revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

As discussed in the notes to the financial statements, accounting principles generally accepted in the United States of America require the Company to record leases in accordance with requirements primarily codified in FASB Accounting Standards Codification section 842 which generally require that all leases are classified as either an operating or financing type lease and that a right of use asset and lease liability is recorded on the balance sheet. Management has not applied this principle of lease classification and, therefore, information about the nature, amount, timing and uncertainty of leases, right-of-use assets and lease liabilities, and cash flows arising from leases may be misstated. The effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

The comparative statement of revenues and expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 comparative statement of revenues and expenses and the schedule of expenditures of federal awards are 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 August 07, 2023, on our consideration of the Reid Village 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 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 Reid Village Water District's internal control over financial reporting and compliance.

Lane & Company LLC

Mount Sterling, Kentucky

August 07, 2023

This report contains 13 pages.

Reid Village Water District
Statement of Net Position
Proprietary Fund
December 31, 2022

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 262,726
Cash and cash equivalents - restricted	188,210
Accounts receivable - net of allowance for doubtful accounts	49,834
Prepaid expenses	<u>6,697</u>
Total Current Assets	<u>507,467</u>
Noncurrent Assets	
Capital assets: (note 1)	
Land	107,000
Plant, equipment and lines	2,117,637
Less accumulated depreciation	<u>(1,014,543)</u>
Total Noncurrent Assets	<u>1,210,094</u>
Total Assets	<u>\$ 1,717,561</u>

LIABILITIES

Current Liabilities	
Accrued expenses	\$ 29,269
Accrued interest	13,474
Deposits payable	16,669
Bonds/notes payable	<u>28,561</u>
Total Current Liabilities	<u>87,973</u>
Noncurrent Liabilities	
Bonds/notes payable	<u>827,910</u>
Total Noncurrent Liabilities	<u>827,910</u>
Total Liabilities	<u>915,883</u>

NET POSITION

Net investment in capital assets	353,623
Restricted	171,541
Unrestricted	<u>276,514</u>
Total Net Position	<u>\$ 801,678</u>

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

Reid Village Water District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended December 31, 2022

Operating Revenues	
User fees	\$ 587,888
Penalties & charges	<u>11,457</u>
Total Operating Revenues	<u>599,345</u>
Operating Expenses	
Water purchased	209,853
Vehicle expense	6,837
Postage	5,590
Professional fees	320
Salaries	167,912
Insurance	6,788
Utilities & telephone	20,155
Water samples	3,257
Taxes	15,213
Repairs & maintenance	36,997
Miscellaneous expenses	8,364
Office supplies	1,467
Employee benefits	61,791
Bad debt expense	3,437
Depreciation	<u>45,170</u>
Total Operating Expenses	<u>593,151</u>
Operating Income (Loss)	<u>6,194</u>
Nonoperating Revenues (Expenses)	
Tap fees	7,500
Interest income	702
Interest expense	<u>(31,293)</u>
Net Nonoperating Revenues (Expenses)	<u>(23,091)</u>
Change in Net Position	(16,897)
Total Net Position - beginning	<u>818,575</u>
Total Net Position - ending	<u>\$ 801,678</u>

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

Reid Village Water District
Statement of Cash Flows
Proprietary Fund
December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 609,206
Cash paid to employees	(167,912)
Cash paid for general and administrative expenses	<u>(382,608)</u>
Net Cash provided / (used) by operating activities	<u>58,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	702
Customer deposits	<u>(1,853)</u>
Net Cash provided / (used) by investing activities	<u>(1,151)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Tap fees	7,500
Bond/note payments - principal	(28,561)
Bond/note payments - interest	<u>(32,101)</u>
Net Cash provided / (used) in capital and financing activities	<u>(53,162)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,373
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>446,563</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 450,936</u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ 6,194
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(increase) / decrease in prepaid expenses	674
(increase) / decrease in accounts receivable	9,861
depreciation	45,170
increase / (decrease) in accounts payable	<u>(3,213)</u>
Net cash provided / (used) by operating activities	<u>\$ 58,686</u>

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

REID VILLAGE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

The Reid Village Water District is a water utility which services areas of Montgomery County including Reid Village. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created November 1961. The District began operations in 1964. The District is subject to the regulatory District of the Kentucky Public Service Commission pursuant to KRS 278.040.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Reid Village Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of governing District, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service, and financing relations.

Based on the foregoing criteria there are no other organizations included in these financial statements.

Depreciation Reserve Fund – The bond ordinances with USDA require monthly transfers to be made into this fund in the amount of \$395. Only expenditures for capital improvements or extraordinary expenses are permitted to be paid from this fund. The District had set aside \$102,005 into this fund at December 31, 2022. The required balance is \$47,400.

Bond and Interest Sinking Fund - The bond ordinances with USDA require monthly transfers to be made into this account in an amount equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date for all outstanding bonds and one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding due date. The required balance of the fund at December 31, 2022 was \$56,503. The District had set aside \$47,041.

Maintenance and Replacement Reserve-The Assistance Agreement with Kentucky Infrastructure Authority requires the District to deposit \$900/year into a maintenance and replacement reserve account until the amount in the account is equal to \$9,000. The District had set aside \$16,885.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segmented into net investment in capital assets, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are operating grants and tenant rental revenue. Operating expenses of the District include the cost of producing the revenue and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Accounting

The records of the District are maintained and the budgetary process is based on the cash basis method of accounting. Adjustments have been made to properly reflect the account balances.

Cash

At December 31, 2022, the carrying amount of the District's deposits was \$450,836 and the bank balance was \$458,637. Of the bank balance 100% was covered by federal deposit insurance and/or was collateralized with securities held by the pledging financial institution's trust department. The District considers all investments with a maturity date of three months or less from date of purchase to be cash equivalents. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

Capital Assets

Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Water lines, tanks	50 years
Vehicle/equipment	5 years

The District's capitalization policy is as follows: expenditures costing more than \$1,000 with an estimated useful life greater than one year are capitalized; all others are expensed.

Budgets and Budgetary Accounting

The district follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the enterprise funds. These budgets are prepared on the cash basis of accounting.
- b. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.

For the year ending December 31, 2022 the above budgetary procedures were not followed.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use by external restrictions.

Accounts Receivable

The receivable reflected in the statements in the amount of \$48,984 is net of allowance for uncollectibles in the amount of \$5,683.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 – Notes/Bonds Payable

The amount shown in the accompanying financial statements as long-term debt represents the District's future obligation to make loan payments from future revenues. At December 31, 2022, three separate loans had outstanding balances. Details of each of these issues are summarized as follows:

Note A

Lender – Rural Development

Balance of loan - \$254,500

Rate – 4.875%

Principal due January 1

Interest due January 1 and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Notes of Accounting

The District's financial statements are maintained and the budgetary process is based on the cash basis method of accounting. Adjustments have been made to properly reflect the account balances.

Rate – 4.375%

Principal due January 1

At December 31, 2022, the carrying amount of the District's deposits was \$450,836 and the bank balance was \$458,637. Of the bank balance, 100% was covered by federal deposit insurance and the balance was collateralized with securities held by the (10) days financial institution's trust department. The District considers all investments with a maturity date of three months or less from date of purchase to be cash equivalents. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

Lender – Kentucky Infrastructure Authority (KIA)

Capital Assets - \$288,871

Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation of property and equipment is computed by the straight-line method, subject to payment prior to its stated maturity with no penalty or premium, at any time upon five (5) days notice.

Maturities			
	Principal	Interest	Total Payment
2023	\$ 30,134	\$ 30,647	\$ 60,781
2024	30,611	29,525	60,136
2025	32,135	31,000	63,135
2026	30,000	36,550	66,550
2027	35,800	31,000	66,800
2028-2032	170,000	166,875	336,875
2033-2037	198,000	144,300	342,300
2038-2042	232,000	117,850	349,850
2043-2047	97,791	86,950	184,741
Total	\$ 856,471	\$ 674,697	\$ 1,531,168

Note 3 - Pension Plan

The District's employees are not covered by any retirement plan.

Note 4 - Leave Policies

The District's employees with one year receive two weeks of vacation, employees with two-five years receive three weeks of vacation, employees with six to ten years receive four weeks of vacation, employees with over ten years received five weeks of vacation. Employees are not permitted to carryover vacation leave from one year to another. Sick leave is on an individual basis and decided by the commissioners. Employees with one year or less receive one-half personal day per month, while employees with over one year receive one personal day per month. Personal days are not carried over.

Note 5 - Changes in Capital Assets

The following is a summary of changes in the capital assets for the year:

	Balance 1/1/2022	Transfers/ Additions	Deletions	Balance 12/31/2022
Land	\$ 107,000	\$ -	\$ -	\$ 107,000
Property, plant & equipment	2,117,637	-	-	2,117,637
Capital assets, gross	\$ 2,224,637	\$ -	\$ -	\$ 2,224,637
Accumulated depreciation	\$ 969,373	\$ 45,170	\$ -	\$ 1,014,543
Capital assets, net	\$ 1,255,264			\$ 1,210,094

Note 6 - Revenue Bonds

Water and Revenue Bonds constitute special obligations of the

District solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions, which require the District to maintain pledged revenues. The District must transfer monthly 1/6 of the next succeeding interest payment and 1/12 of the next succeeding principal payment from the operations and maintenance account into the bond and interest sinking account. The District also must transfer \$395 per month into a depreciation fund.

Note 7 - Restricted Cash

Restricted cash is composed of the following:

Account Description	Amount
Deposit Account	\$ 18,717
Depreciation Reserve Fund	101,605
Maintenance & Repair Reserve	15,385
Debt Reserve Fund	52,503
Total Restricted Cash	\$ 188,210

Note 8 – Contingencies

The District is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the District in the current and prior years. There were no examinations for the year ended December 31, 2022. Areas of noncompliance, if any, as a result of examinations would be included as a part of the “Findings and Questioned Costs” section of this report.

Note 9 – Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by District management.

Note 10 – Subsequent Events

The District has evaluated subsequent events through August 07, 2023 the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



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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*

Board Members
Reid Village Water District
Mount Sterling, 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 Reid Village Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Reid Village Water District's basic financial statements, and have issued our report thereon dated August 07, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reid Village Water District's internal control over financial reporting (internal control) as a basis for designing 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 Reid Village Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Reid Village 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reid Village 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.

Lane & Company LLC

Mount Sterling, Kentucky

August 07, 2023

Reid Village Water District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the years ended December 31, 2021 and December 31, 2022

	2021	2022
Operating Revenues		
Water sales	\$ 596,214	\$ 587,888
Penalties & charges	<u>13,558</u>	<u>11,457</u>
Total Operating Revenues	<u>609,772</u>	<u>599,345</u>
Operating Expenses		
Water purchased	208,483	209,853
Vehicle expense	5,187	6,837
Postage	4,711	5,590
Professional fees	4,500	320
Salaries	161,625	167,912
Insurance	14,217	6,788
Utilities & telephone	18,707	20,155
Water samples	2,938	3,257
Taxes	15,120	15,213
Repairs & maintenance	29,166	36,997
Miscellaneous expenses	4,569	8,364
Office supplies	1,396	1,467
Employee benefits	56,185	61,791
Bad debt expense	-	3,437
Depreciation	<u>46,069</u>	<u>45,170</u>
Total Operating Expenses	<u>572,873</u>	<u>593,151</u>
Operating Income (Loss)	<u>36,899</u>	<u>6,194</u>
Nonoperating Revenues (Expenses)		
Tap fees	4,550	7,500
Interest income	675	702
Interest expense	<u>(33,126)</u>	<u>(31,293)</u>
Net Nonoperating Revenues (Expenses)	<u>(27,901)</u>	<u>(23,091)</u>
Change in Net Position	<u>\$ 8,998</u>	<u>\$ (16,897)</u>

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

REID VILLAGE WATER DISTRICT
Mount Sterling, Kentucky
Schedule of Findings and Responses
December 31, 2022

PRIOR YEAR FINDINGS

2021-001: Lack of Segregation of Duties – repeated as 2022-001

CURRENT YEAR FINDINGS

2022-001 Lack of Segregation of Duties

Condition: The District has an inadequate segregation of duties within its internal control process. The District's manager generally signs most checks not payable to her. She also collects revenues, opens the mail, reconciles the bank statement, and prepares the accounting records.

Criteria: All governmental entities should design their internal control to provide an adequate segregation of duties.

Cause: The District does not have sufficient employees to adequately design its internal control.

Effect or Potential Effect: Inadequate segregation of duties provides the opportunity for collusion, abuse and fraud that can be pervasive to the financial statements.

Recommendation: The District should continue to design and implement its internal control policies to provide the maximum segregation of duties possible.

Response: The District has determined that it is not economically feasible to implement controls to eliminate this finding.