

SHARPSBURG WATER DISTRICT
Sharpsburg, Kentucky

Audited Financial Statements
For the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Sharpsburg Water District
Sharpsburg, Kentucky

We have audited the accompanying financial statements of the business-type activities of the Sharpsburg Water District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Sharpsburg 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 Sharpsburg 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 Sharpsburg 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 Sharpsburg 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 Sharpsburg 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 Sharpsburg 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 Sharpsburg 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.

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 May 18, 2023, on our consideration of the Sharpsburg 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 Sharpsburg Water District's internal control over financial reporting and compliance.

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

Lane & Company LLC

Mount Sterling, Kentucky

May 18, 2023

This report contains 15 pages.

SHARPSBURG WATER DISTRICT
Statement of Net Position
Proprietary Fund
December 31, 2022

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 248,108
Cash and cash equivalents - restricted (note 7)	236,407
Accounts receivable - net of allowance for doubtful accounts (note 1)	83,158
Prepaid expenses	<u>230</u>
Total Current Assets	<u>567,903</u>
Noncurrent Assets	
Capital assets: (note 1)	
Plant, equipment and lines	7,207,492
Less accumulated depreciation	<u>(3,199,100)</u>
Total Noncurrent Assets	<u>4,008,392</u>
Total Assets	<u><u>\$ 4,576,295</u></u>

LIABILITIES

Current Liabilities	
Accrued expenses	\$ 59,058
Bonds payable	52,500
Payable from restricted assets	<u>56,583</u>
Total Current Liabilities	<u>168,141</u>
Noncurrent Liabilities	
Bonds payable	<u>980,700</u>
Total Liabilities	<u>1,148,841</u>

NET POSITION

Net investment in capital assets	2,975,192
Restricted	179,824
Unrestricted	<u>272,438</u>
Total Net Position	<u><u>\$ 3,427,454</u></u>

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

SHARPSBURG WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended December 31, 2022

Revenues	
User fees	\$ 913,940
Utility tax income	25,473
Other income	<u>14,259</u>
Total Revenues	<u>953,672</u>
Expenses	
Water purchased	392,489
Salaries	227,475
Employee benefits	42,740
Office expense	45,298
Insurance	1,667
Taxes	44,332
Utilities	24,266
Miscellaneous	41,140
Contractual services	9,748
Depreciation	133,783
Supplies & repairs	<u>46,752</u>
Total Operating Expenses	<u>1,009,690</u>
Operating Income (Loss)	<u>(56,018)</u>
Nonoperating Revenues (Expenses)	
Tap fees	17,850
Interest expense	(35,237)
Interest income	<u>245</u>
Net Nonoperating Revenues (Expenses)	<u>(17,142)</u>
Change in Net Position	(73,160)
Total Net Position - beginning	<u>3,500,614</u>
Total Net Position - ending	<u><u>\$ 3,427,454</u></u>

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

SHARPSBURG WATER DISTRICT
Statement of Cash Flows
Proprietary Fund
For the year ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 951,478
Cash paid to employees	(227,475)
Cash paid for general and administrative expenses	<u>(579,186)</u>
Net Cash provided / (used) by operating activities	<u>144,817</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	245
Interest paid	(35,237)
Customer deposits	<u>3,310</u>
Net Cash provided / (used) by investing activities	<u>(31,682)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Tap fees	17,850
Bond payments	<u>(50,600)</u>
Net cash provided / (used) in capital and financing activities	<u>(32,750)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	80,385
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>404,130</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 484,515</u></u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in Net Position	\$ (56,018)
Adjustments to Reconcile Change in Net Position to	
Net Cash Provided by Operating Activities:	
depreciation	133,783
(increase) / decrease in accounts receivable	(2,194)
(increase) / decrease in prepaid expenses	69,379
increase / (decrease) in accounts payable	<u>(133)</u>
Net cash provided / (used) by operating activities	<u><u>\$ 144,817</u></u>

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

SHARPSBURG WATER DISTRICT
Notes to the Financial Statements
December 31, 2022

The Sharpsburg Water District is a water utility which services areas of Bath County including Sharpsburg, Bethel, Reynoldsville and parts of Nicholas County. 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 in November 1961. The District began operations in 1963. The District is subject to the regulatory authority 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 Sharpsburg 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 authority, 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 - Monthly transfers are required to be made into this fund in the amount of \$120. Only expenditures for capital improvements or extraordinary expenses are permitted to be paid from this fund. The required balance of the fund on December 31, 2022 was \$67,755. The District had set aside \$93,372 into this fund on December 31, 2022.

Bond and Interest Sinking Fund - Monthly transfers are required 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 on December 31, 2022 was \$0-. The District had set aside \$85,105.

Enterprise Funds

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 Authority's principal ongoing operations. The principal operating revenues of the Authority are operating grants and tenant rental revenue. Operating expenses of the Authority 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.

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 invested in capital assets, net of related debt, 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.

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 conform to the accrual basis of accounting.

Inventory

The cost of inventory is recorded as a disbursement at the time of payment for the purchase.

Cash

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents. On December 31, 2022, the carrying amount of the District's deposits was \$484,515 and the bank balance was \$500,916. Of the bank balance 100% was covered by federal deposit insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

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>
Lines and tanks	50 years
Equipment	5-10 years
Computers	3 years
Meters	15 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.

Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets- net of related debt 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 \$83,158 is net of allowance for uncollectibles in the amount of \$9,244.

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 Payable

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

Note A

Lender – Rural Development

Original loan amount - \$171,000

Balance of loan - \$25,000

Rate – 7.125%

Principal due January 1

Interest due January 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.

Maturities			
	Principal	Interest	Total Payment
2023	\$ 12,000	\$ 1,354	\$ 13,354
2024	13,000	463	13,463
Total	\$ 25,000	\$ 1,817	\$ 26,817

Note B

Lender – Rural Development

Original Loan Amount – 335,000

Balance of loan - \$127,000

Rate - 5%

Principal due January 1

Interest due January 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.

Maturities			
	Principal	Interest	Total Payment
2023	\$ 13,000	\$ 6,025	\$ 19,025
2024	14,000	5,350	19,350
2025	15,000	4,625	19,625
2026	15,000	3,875	18,875
2027	16,000	3,875	19,875
2028-2030	54,000	2,275	56,275
Total	\$ 127,000	\$ 26,025	\$ 153,025

Note C

Lender – Rural Development

Original loan amount - \$289,000

Balance of loan - \$155,200

Rate – 4.5%

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.

Maturities			
	Principal	Interest	Total Payment
2023	\$ 9,000	\$ 6,782	\$ 15,782
2024	9,400	6,368	15,768
2025	9,900	5,933	15,833
2026	10,300	5,479	15,779
2027	10,800	5,004	15,804
2028-2032	61,500	17,129	78,629
2033-2035	44,300	3,062	47,362
Total	\$ 155,200	\$ 49,757	\$ 204,957

Note D

Lender – Rural Development

Original loan amount - \$258,000

Balance of loan - \$202,000

Rate – 4.125%

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.

Maturities			
	Principal	Interest	Total Payment
2023	\$ 5,000	\$ 8,229	\$ 13,229
2024	5,500	8,013	13,513
2025	5,500	7,786	13,286
2026	6,000	7,549	13,549
2027	6,000	7,301	13,301
2028-2032	35,500	32,330	67,830
2033-2037	44,000	24,173	68,173
2038-2042	55,000	14,025	69,025
2043-2045	39,500	2,506	42,006
Total	\$ 202,000	\$ 111,912	\$ 313,912

Note E

Lender – Rural Development

Original loan amount - \$642,000

Balance of loan - \$524,000

Rate – 2.250%

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.

Maturities			
	Principal	Interest	Total Payment
2023	\$ 13,500	\$ 11,638	\$ 25,138
2024	13,500	11,334	24,834
2025	14,000	11,025	25,025
2026	14,500	10,704	25,204
2027	14,500	10,378	24,878
2028-2032	79,000	46,710	125,710
2033-2037	89,000	37,260	126,260
2038-2042	100,000	26,663	126,663
2043-2047	112,500	14,709	127,209
2048-2050	73,500	2,503	76,003
Total	\$ 524,000	\$ 182,924	\$ 706,924

The following is a summary of changes in long-term obligations for the year:

	Outstanding 1/1/2022	Issued	Retired	Outstanding 12/31/2022	Due Within One Year
Rural Development	\$ 1,083,800	\$ -	\$ 50,600	\$ 1,033,200	\$ 52,500

Total interest paid during the year on long-term debt totaled \$35,237.

Note 3 - Pension Plan

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

Note 4 - Leave Policies

Annual and Sick Leave

All full-time employees shall be entitled to sick leave with pay at a rate of twelve days per year. Maximum accumulation is 60 days. No pay upon termination.

All full-time employees are entitled to vacation time as follows:

Completion of one year – 1 week

Completion of ten years – 2 weeks

Completion of 15 years – 3 weeks

Completion of 20+ years – 4 weeks

Note 5 - Changes in Capital Assets

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

	Balance 1/1/2022	Transfers/ Additions	Deletions	Balance 12/31/2022
Utility plant and equipment	\$ 7,207,492	\$ -	\$ -	\$ 7,207,492
Accumulated depreciation	\$ 3,065,317	\$ 133,783	\$ -	\$ 3,199,100

Capital assets, net of accumulated depreciation	\$ 4,142,175	\$ 4,008,392
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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.

Note 7 - Restricted Cash

Restricted cash is composed of the following:

Depreciation reserve fund	\$ 93,372
Sinking fund	85,105
Water Meter	30
	<u>\$ 178,507</u>

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 *Schedule of Findings* 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 May 18, 2023, and that is the date that 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*

To the Board Members
Sharpsburg Water District
Sharpsburg, 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 Sharpsburg Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Sharpsburg Water District's basic financial statements, and have issued our report thereon dated May 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sharpsburg 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 Sharpsburg Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sharpsburg 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 Sharpsburg 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

May 18, 2023

SHARPSBURG WATER DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2021 and December 31, 2022

	<u>2021</u>	<u>2022</u>
Revenues		
User fees	\$ 866,577	\$ 913,940
Utility tax	23,803	25,473
Miscellaneous	<u>15,159</u>	<u>14,259</u>
Total Revenues	<u>905,539</u>	<u>953,672</u>
Expenses		
Water purchased	372,328	392,489
Salaries	211,091	227,475
Employee benefits	23,432	42,740
Office expense	34,790	45,298
Insurance	22,265	1,667
Taxes	44,008	44,332
Utilities	20,824	24,266
Miscellaneous	41,291	41,140
Contractual services	6,450	9,748
Depreciation	133,792	133,783
Supplies & repairs	<u>101,047</u>	<u>46,752</u>
Total Operating Expenses	<u>1,011,318</u>	<u>1,009,690</u>
Operating Income (Loss)	<u>(105,779)</u>	<u>(56,018)</u>
Nonoperating Revenues (Expenses)		
Tap fees	24,500	17,850
Interest expense	(37,564)	(35,237)
Interest income	<u>191</u>	<u>245</u>
Net Nonoperating Revenues (Expenses)	<u>(12,873)</u>	<u>(17,142)</u>
Change in Net Position	<u><u>\$ (118,652)</u></u>	<u><u>\$ (73,160)</u></u>

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

SHARPSBURG WATER DISTRICT
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.

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 can cause transaction cycles to be susceptible to abuse and fraud.

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

Response: We will do as recommended.