

**Simpson County Water District**  
**Audited Financial Statements and**  
**Supplementary Information**  
**December 31, 2023 and 2022**

**Jones & Associates** CPAs, PSC  
Certified Public Accountants



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# Jones & Associates CPAs, PSC

## Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To the Board of Commissioners of  
Simpson County Water District  
Franklin, Kentucky

### **Independent Auditor's Report**

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

##### *Opinion*

We have audited the accompanying financial statements of the business-type activities of Simpson County Water District, a component unit of Simpson County Fiscal Court, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Simpson 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 financial position of the business-type activities of Simpson County Water District, as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Simpson 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 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 Simpson 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.

**To the Board of Commissioners of  
Simpson County Water District  
Independent Auditor's Report**  
*(Continued)*

**Report on the Audit of the Financial Statements** *(Continued)*

*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 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 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 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 Simpson 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 Simpson 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 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

**To the Board of Commissioners of  
Simpson County Water District  
Independent Auditor's Report  
(Continued)**

**Report on the Audit of the Financial Statements (Continued)**

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 an opinion on the financial statements that collectively comprise Simpson County Water District's basic financial statements. The accompanying Schedule of Budgetary Comparison is presented for purposes of additional analysis and is not a required part of the 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. We do not express an opinion or provide any assurance on the Schedule of Budgetary Comparison because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of Simpson 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 Simpson 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 Simpson County Water District's internal control over financial reporting and compliance.

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

March 29, 2024

Management's Discussion and Analysis

## Management's Discussion and Analysis

This section of Simpson County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2023 and 2022. This information is presented in conjunction with the audited basic financial statements, which follow this section.

### Financial Highlights

The following are highlights of Simpson County Water District for the year ending December 31, 2023:

- Total Net Position increased by \$888,953 or 5.4% to \$17,290,714 from \$16,401,761 in 2022 reflecting an increase in capital assets.
- Total Operating Revenue increased by \$43,617 or 1.6% to \$2,754,020 compared to \$2,710,403 in 2022 due to increases in metered water revenue and forfeited discounts.
- Total Operating Expenses increased by \$3,126 to \$2,533,564 compared to \$2,530,438 in 2022.
- Income Before Capital Contributions totaled \$260,376, an increase of \$98,442 compared to the prior year's Income Before Capital Contributions of \$161,934.
- Net Utility Plant increased by \$695,722 net of depreciation, to \$17,682,401 from \$16,986,679 in 2022 reflecting line extensions transferred from developers.
- Total water sold to customers during the year amounted to 378.1 million gallons compared to 352.6 million gallons in year 2022, an increase of 25.5 million gallons. The peak demand day was June 8<sup>th</sup> with 1,858,000 gallons pumped.
- New meter applications in year 2023 and year 2022 totaled 41 and 50, respectively, and the number of customers at the end of the year totaled 3,620 consisting of 3,208 residential customers and 412 commercial/industrial customers.
- The District's water system includes 403 miles of distribution main serving an average of 8.9 customers per mile.
- The average monthly revenue from a residential and commercial customer was \$36.30 and \$263.72, respectively. The average monthly usage by a residential and commercial customer was 4,667 gallons and 40,331 gallons, respectively.
- On March 21, 2024, the District filed an Alternative Rate Adjustment with the Kentucky Public Service Commission (PSC) proposing a 5.8 percent rate increase. The proposed rate adjustment will be effective upon approval by the PSC.

### Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Simpson County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

## Financial Analysis

**Budgetary Analysis for the Year Ended December 31, 2023**

*Total Revenue* was lower than budgeted revenue by \$11,380 reflecting lower than expected metered water revenue and miscellaneous service revenue. *Total Operating Expenses* related to providing water service and maintaining the District's water distribution system were below budget by \$74,736. Operating expenses that were under budget include: (1) purchased water, \$37,463; (2) wages & benefits, \$8,342 and \$4,477, respectively; (3) amortization, \$9,520; (4) rental of building, \$6,908; and (5) various other costs were under budget by a net amount of \$8,026. *Non-Operating Revenues (Expenses)* were under budget by \$8,020 reflecting an increase in interest income due to higher than budgeted rates of return on the District's funds. *Net Income* totaled \$260,376 for the year, which exceeded budgeted net income by \$71,376 and *Capital Contributions* totaled \$628,577 which exceeded budgeted contributions by \$607,582. During the year, the District received contributions for water line extensions from developers totaling \$489,102 that were not budgeted.

Table 1  
TABLE OF BUDGETARY COMPARISON

	Budget Year 2023	Actual Year 2023	Variances Favorable \ (Unfavorable)
<b>Revenues</b>			
Metered Water Revenue	\$ 2,698,600	\$ 2,691,159	\$ (7,441)
Forfeited Discounts	38,900	43,884	4,984
Miscellaneous Service Revenue	27,900	18,977	(8,923)
Total Revenues	2,765,400	2,754,020	\$ (11,380)
<b>Operating Expenses</b>			
Operating Expenses	\$ 2,001,600	\$ 1,940,211	\$ 61,389
Depreciation	604,700	600,873	3,827
Amortization	2,000	(7,520)	9,520
Total Operating Expenses	\$ 2,608,300	\$ 2,533,564	\$ 74,736
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	\$ 60,300	\$ 73,676	\$ 13,376
Lease Income	35,900	38,949	3,049
Regulatory Commission Tax	(4,000)	(3,577)	423
Interest Expense	(60,300)	(75,288)	(14,988)
Gain (Loss) on Disposal of Assets		6,160	6,160
Total Non-Operating Revenues (Expenses)	\$ 31,900	\$ 39,920	\$ 8,020
Total Net Expenses	\$ 2,576,400	\$ 2,493,644	\$ 82,756
<b>Net Income</b>	<b>189,000</b>	<b>260,376</b>	<b>71,376</b>
Contribution in Aid of Construction	20,995	628,577	607,582
Net Change in Net Position	\$ 209,995	\$ 888,953	\$ 678,958



**Budgetary Analysis for the Year Ended December 31, 2022**

*Total Revenue* exceeded budgeted revenue by \$35,703 reflecting higher than expected metered water revenue. *Total Operating Expenses* related to providing water service and maintaining the District's water distribution system were below budget by \$78,762. Total operating expenses that were under budget include: (1) other post-employment benefits (OPEB), \$22,093; (2) amortization, \$15,700; (3) wages & benefits, \$8,844 and \$3,552, respectively; (4) miscellaneous expense, \$7,177; (5) contractual other expenses, \$5,187; (6) bad debt expense, \$4,141; (7) material & supplies, \$3,940; and (8) various other costs were under budget by a net amount of \$8,128. *Non-Operating Revenues (Expenses)* were over budget by \$20,231 reflecting a decrease in lease revenue from cell providers for use of water tanks and an increase in interest expense. *Net Income* totaled \$161,934 for the year, which exceeded budgeted net income by \$94,234 and *Capital Contributions* totaled \$191,798 which was below budgeted contributions by \$57,702.

Table 2  
TABLE OF BUDGETARY COMPARISON

	Budget Year 2022	Actual Year 2022	Variances Favorable \ (Unfavorable)
<b>Revenues:</b>			
Metered Water Revenue	\$ 2,617,700	\$ 2,653,442	\$ 35,742
Forfeited Discounts	37,200	37,943	743
Miscellaneous Service Revenue	19,800	19,018	(782)
Total Revenues	\$ 2,674,700	\$ 2,710,403	\$ 35,703
<b>Operating Expenses:</b>			
Operating Expenses	\$ 1,902,800	\$ 1,842,434	\$ 60,366
Depreciation	703,400	700,704	2,696
Amortization	3,000	(12,700)	15,700
Total Operating Expenses	\$ 2,609,200	\$ 2,530,438	\$ 78,762
<b>Non-Operating Revenues (Expenses):</b>			
Interest Income	\$ 26,300	\$ 34,448	\$ 8,148
Lease	39,900	29,968	(9,932)
Regulatory Commission Tax	(5,300)	(3,916)	1,384
Interest Expense	(58,700)	(73,554)	(14,854)
Gain (Loss) on Disposal of Assets		(4,977)	(4,977)
Total Non-Operating Revenues (Expenses)	\$ 2,200	\$ (18,031)	\$ (20,231)
Total Net Expenses	\$ 2,607,000	\$ 2,548,469	\$ 58,531
<b>Net Income</b>	<b>67,700</b>	<b>161,934</b>	<b>94,234</b>
Contribution in Aid of Construction	249,500	191,798	(57,702)
Net Change in Net Position	\$ 317,200	\$ 353,732	\$ 36,532

**Statement of Net Position**

A summary of the District's Statement of Net Position is presented in Table 3. The District's assets exceeded liabilities by \$17,290,714 for the year ending December 31, 2023.

Table 3  
CONDENSED STATEMENT OF NET POSITION  
December 31, 2023

<b>Assets</b>	Year 2023	Year 2022	Increase (Decrease)	
Current & Non-Current Assets	\$ 3,168,320	\$ 3,162,079	\$ 6,241	0.2%
Net Capital Assets & CIP	17,682,401	16,986,679	695,722	4.1%
Total Assets	\$ 20,850,721	\$ 20,148,758	\$ 701,963	3.5%
<b>Liabilities &amp; Deferred Inflows</b>				
Current & Non-Current Liabilities	\$ 759,244	\$ 758,675	\$ 569	0.1%
Net Bonds & Notes Payable	2,718,172	2,871,917	(153,745)	-5.4%
Deferred Inflows – Leases	82,591	116,405	(33,814)	-29%
Total Liabilities & Deferred Inflows	\$ 3,560,007	\$ 3,746,997	\$ (186,990)	-5%
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 14,826,729	\$ 13,982,762	\$ 843,967	6%
Restricted for Debt Service	487,145	443,361	43,784	9.9%
Unrestricted	1,976,840	1,975,638	1,202	0.1%
<b>Total Net Position</b>	\$ 17,290,714	\$ 16,401,761	\$ 888,953	5.4%
Total Liabilities & Net Position	\$ 20,850,721	\$ 20,148,758	\$ 701,963	3.5%

*Total Assets* amounted to \$20,850,721 and increased by \$701,963 or 3.5% from last year. *Current & Non-Current Assets*, which include funds for general operations, funds for capital improvements, funds for debt service, accounts receivable, interest receivable, and prepaid assets increased by \$6,241. *Net Capital Assets & Construction in Progress (CIP)* include the District's investment in land, distribution mains, pump stations, service lines, and storage tanks. Capital assets totaled \$17,682,401 and increased by \$695,722 reflecting transfer of water line extensions from developers and the Supervisory Control & Data Acquisition (SCADA) replacement project under construction.

*Total Liabilities & Deferred Inflows* amounted to \$3,560,007 and decreased by \$186,990 or 5% from last year. *Current & Non-Current Liabilities*, which include accounts payable, customer deposits, interest payable, long-term debt due within one year, lease payable, and other post-employment benefits increased slightly and *Net Bonds & Notes Payable*, which includes debt obligations beyond a year, unamortized premiums, and bond discounts totaling \$2,718,172 decreased by \$153,745. *Deferred Inflows – Leases* represents deferred future revenue from cell and internet providers totaling \$82,591 for use of the district's facilities to mount their equipment on the District's storage tanks.

*Total Net Position* amounted to \$17,290,714, an increase of \$888,953 or 5.4% from last year. *Net Position Invested in Capital Assets*, which includes the District's transmission & distribution facilities net of related debt, increased by \$843,967. *Restricted For Debt Service* are funds set aside for principal and interest payments decreased by \$43,784 and *Unrestricted* funds that do not have a specific use increased slightly by \$1,202.

### **Statement of Revenues, Expenses and Changes in Net Position**

This statement identifies various revenue and expense items which impact the change in net position. A summary of this statement is presented in Table 4 below:

Table 4  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2023

	Year 2023	Year 2022	Increase (Decrease)	
<b>Operating Revenues</b>				
Metered Water Revenue	\$ 2,691,159	\$ 2,653,442	\$ 37,717	1.4%
Forfeited Discounts	43,884	37,943	5,941	15.7%
Miscellaneous Service Revenue	18,977	19,018	(41)	-0.2%
Total Operating Revenues	\$ 2,754,020	\$ 2,710,403	\$ 43,617	1.6%
<b>Operating Expenses</b>				
Wages & Benefits	\$ 360,781	\$ 360,604	\$ 177	0%
Commissioner Fees	10,800	10,800		0%
Purchased Water	1,254,537	1,216,129	38,408	3.2%
Purchased Power	34,445	30,953	3,492	11.3%
Materials	51,299	38,960	12,339	31.7%
Contractual Services	160,157	140,055	20,102	14.4%
Rental of Building	3,192	9,912	(6,720)	-67.8%
Equipment	34,378	38,682	(4,304)	-11.1%
Depreciation	600,873	700,704	(99,831)	-14.2%
Amortization	(7,520)	(12,700)	5,180	-40.8%
Other Operating Expenses	30,622	(3,661)	34,283	-936.4%
Total Operating Expenses	\$ 2,533,564	\$ 2,530,438	\$ 3,126	0.1%
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	\$ 73,676	\$ 34,448	\$ 39,228	113.9%
Rental Income	38,949	29,968	8,981	30%
Public Service Commission Tax	(3,577)	(3,916)	339	-8.7%
Interest Expense	(75,288)	(73,554)	(1,734)	2.4%
Gain (Loss) on Disposal of Assets	6,160	(4,977)	11,137	-223.8%
Total Non-Oper Revenues (Expenses)	\$ 39,920	\$ (18,031)	\$ 57,951	-321.4%
<b>Income Before Capital Contributions</b>	<b>\$ 260,376</b>	<b>\$ 161,934</b>	<b>\$ 98,442</b>	<b>60.8%</b>
Capital Contributions	628,577	191,798	436,779	227.7%
Change in Net Position	888,953	353,732	535,221	151.3%
Net Position, Beginning of Year	16,401,761	16,048,029	353,732	2.2%
Net Position, End of Year	\$ 17,290,714	\$ 16,401,761	\$ 888,953	5.4%

*Total Operating Revenues* increased by \$43,617 or 1.6% from last year reflecting increases in both metered water revenue and forfeited discounts. *Metered Water Revenue* increased by \$37,717 including residential revenue which decreased by \$49,953 and commercial, industrial, and agricultural revenue which increased by \$87,670. The volume of water sold this year was 378.1 million gallons compared to 352.6 million gallons last year, an increase of 25.5 million gallons. *Forfeited Discounts*, which are late penalties increased by \$5,941 and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees slightly decreased.

Financial Analysis (Continued)

*Total Operating Expenses* increased by \$3,126 and consists of the following: (1) depreciation decreased by \$99,831 reflecting an accounting adjustment recorded in the prior year revising useful lives of utility plant; (2) purchased water increased by \$38,408 due to a higher industrial demand; (3) contractual services increased by \$20,102 reflecting software costs, accounting fees, and pump rental to meet summer demand; (4) materials increased by \$12,339 reflecting leak repairs; and (5) all other expenses which increased by a net amount of \$32,108. *Non-Operating Revenues* increased by \$57,951, reflecting greater interest income on the District's funds, increased income on leases, and gain on the sales of assets.

*Capital Contributions* totaled \$628,577 and increased by \$436,779 compared to last year. During the year, contributions were received for the following: new meter installations, \$79,345; line extensions from developers, \$515,456; and, fire protection, \$33,776. *Net Position* at the end of the year totaled \$17,290,714, an increase of \$888,953.

**Changes in Utility Plant**

The largest portion of the district's assets is invested in utility plant totaling \$17,682,401 on December 31, 2023. Changes by asset category are listed below in Table 5.

Table 5  
CHANGES IN NET UTILITY PLANT  
(Net of Depreciation)

<b>Capital Investment</b>	Year 2023	Year 2022	Increase (Decrease)	
Land	\$ 25,549	\$ 25,549	\$	0%
Structures	21	21		0%
Pumping Equipment	1,209,428	1,256,815	(47,387)	-3.8%
Storage Tanks	1,286,284	1,389,041	(102,757)	-7.4%
Distribution Mains	11,494,092	11,178,853	315,239	2.8%
SCADA Communications	15,404	17,528	(2,124)	-12.1%
Meters	2,436,994	2,467,999	(31,005)	-1.3%
Hydrants	558,112	500,691	57,421	11.5%
Computer Hardware & Software	73,343	56,463	16,880	29.9%
Furniture & Fixtures	4,080	4,283	(203)	-4.7%
Other	52,960	19,632	33,328	-169.8%
<b>TOTAL Capital Investment</b>	<b>\$ 17,156,267</b>	<b>\$ 16,916,875</b>	<b>\$ 239,392</b>	<b>1.4%</b>
Construction in Progress	526,134	69,804	456,330	653.7%
NET Utility Plant	<u>\$ 17,682,401</u>	<u>\$ 16,986,679</u>	<u>\$ 695,722</u>	<u>4.1%</u>

The District's utility plant includes the following: (1) 403 miles of distribution main, (2) 25 miles of service line, (3) 249 fire hydrants, (4) 7 storage tanks with storage capacity from 150,000 gallons to 500,000 gallons and total system storage capacity of 2.2 million gallons, and (5) 8 pumping stations. The following was recorded to utility plant during the year: (1) line extensions from developers, \$541,055; (2) customer meter installations, \$60,948; (3) other assets, \$17,378; (4) an increase in construction in progress including a SCADA controls project, \$456,330; and (5) reduction of \$379,989 for accumulated depreciation which includes the accounting adjustment for useful lives of utility plant.

### **Long-Term Debt**

The District's debt obligations include United States Department of Agriculture (USDA) bonds and Kentucky Rural Water Finance Corporation loans. As of December 31, 2023, the District had \$2,775,000 in outstanding principal compared to \$2,907,000 in the previous year, a decrease of \$132,000 in debt obligations.

### **Factors Affecting Next Year's Budget**

- The inflationary impact on the cost of materials, equipment, and services.
- The ability to procure materials and equipment in a timely and cost-effective manner. The current supply chain environment impacts the District's ability to acquire sufficient resources to operate, maintain, and extend its water system to meet current and future needs.
- The East Side Pump Station & Transmission Project was budgeted and will be funded through USDA – Rural Development. The project will provide a connection and transmission from an alternate water supplier.
- The District budgeted a line replacement project that will be funded with internal funds and proceeds from the American Rescue Plan Act.
- The impact of regulatory changes forthcoming from the Kentucky Division of Water, the Environmental Protection Agency, and the Kentucky Public Service Commission.

The District's board of commissioners adopted the budget for year 2024 at its meeting held in October 2023. Metered water sales is budgeted to increase by 3.9%. Total revenue is budgeted to increase by 4% from year 2023, and total expenses are budgeted to increase by 9.3%. Debt service payments are expected to total \$243,700 with a reduction in outstanding debt of \$137,500. Net income for the budget year is \$201,100. Capital expenditures for the year are budgeted to total \$4,990,741 using internal funds of \$1,266,346, proceeds from financing \$2,950,000, and contributions from customers & governmental agencies totaling \$774,395.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Simpson County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at [www.simpsonwater.com](http://www.simpsonwater.com).

Financial Statements –  
Proprietary Fund

**Simpson County Water District  
Statement of Net Position - Proprietary Fund  
December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Restated)	\$ 2,062,246	\$ 2,069,740
Restricted cash and cash equivalents (Restated)	646,966	602,048
Customer accounts receivable, net	67,295	67,247
Accounts receivable - Other	10,848	10,546
Unbilled receivables	231,222	234,645
Prepaid assets	12,616	10,510
Lease receivable	31,747	31,067
Other current assets	24,551	13,795
Total current assets	\$ 3,087,491	\$ 3,039,598
Noncurrent assets		
Capital assets, net	\$ 17,156,267	\$ 16,916,875
Lease receivable	52,411	85,746
Construction in progress	526,134	69,804
Right-of-use asset, net	28,418	36,735
Total noncurrent assets	\$ 17,763,230	\$ 17,109,160
<b>Total assets</b>	<b>\$ 20,850,721</b>	<b>\$ 20,148,758</b>
<b>Liabilities, deferred inflows of resources, and net position</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 211,161	\$ 221,213
Accounts payable - WCWD	9,705	31,176
Customer deposits	159,821	158,687
Bonds and notes payable	137,500	132,000
Interest payable	31,899	34,086
Lease payable	8,328	7,923
Other current liabilities	11,894	18,308
Total current liabilities	\$ 570,308	\$ 603,393
Noncurrent liabilities		
Bonds and notes payable, net	\$ 2,718,172	\$ 2,871,917
Other postemployment benefits	90,924	85,528
Rebates payable	77,120	40,534
Lease payable	20,892	29,220
Total noncurrent liabilities	\$ 2,907,108	\$ 3,027,199
<b>Total liabilities</b>	<b>\$ 3,477,416</b>	<b>\$ 3,630,592</b>

**Simpson County Water District**  
**Statement of Net Position - Proprietary Fund**  
**December 31, 2023 and 2022**  
*(Continued)*

**Liabilities, deferred inflows of resources, and net position**  
*(Continued)*

Deferred inflows of resources		
Leases	\$ <u>82,591</u>	\$ <u>116,405</u>
Total deferred inflows of resources	\$ <u>82,591</u>	\$ <u>116,405</u>
Net position		
Net investment in capital assets	\$ 14,826,729	\$ 13,982,762
Restricted		
Debt service	487,145	443,361
Unrestricted	<u>1,976,840</u>	<u>1,975,638</u>
Total net position	\$ <u>17,290,714</u>	\$ <u>16,401,761</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$ <u><u>20,850,721</u></u>	\$ <u><u>20,148,758</u></u>

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



**Simpson County Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund**  
**For the Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating revenues</b>		
Residential metered sales	\$ 1,387,552	\$ 1,437,505
Commercial metered sales	856,001	888,936
Industrial metered sales	422,705	299,090
Agricultural metered sales	24,901	27,911
Forfeited discounts	43,884	37,943
Miscellaneous service revenue	18,977	19,018
<b>Total operating revenues</b>	<b>\$ 2,754,020</b>	<b>\$ 2,710,403</b>
<b>Operating expenses</b>		
Purchased water	\$ 1,254,537	\$ 1,216,129
Pumping		
Purchased power	\$ 30,427	\$ 26,841
Insurance	1,794	1,433
Professional services	1,257	750
Miscellaneous	365	496
Total pumping	\$ 33,843	\$ 29,520
General distribution		
Salaries and benefits	\$ 102,883	\$ 101,529
Purchased power	4,018	4,112
Materials and supplies	8,458	5,650
Insurance	8,820	7,048
Contractual services	30,992	18,438
Professional services	1,257	750
Miscellaneous	18,804	18,592
Total general distribution	\$ 175,232	\$ 156,119
Customer accounts		
Salaries and benefits	\$ 143,828	\$ 135,799
Materials and supplies	2,187	2,258
Insurance	1,794	1,433
Contractual services	39,549	36,432
Professional services	2,561	1,500
Uncollectible accounts	5,726	1,859
Miscellaneous	14,415	16,383
Total customer accounts	\$ 210,060	\$ 195,664
Maintenance		
Salaries and benefits	\$ 52,913	\$ 61,315
Materials and supplies	36,286	27,386
Contractual services	33,092	39,555
Professional services	2,515	1,500
Miscellaneous	8,214	11,386

**Simpson County Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

	<u>2023</u>	<u>2022</u>
<b>Operating expenses</b> <i>(Continued)</i>		
Total maintenance	\$ 133,020	\$ 141,142
Administrative and general		
Salaries and benefits	\$ 61,158	\$ 61,959
Other postemployment benefits	3,238	(17,893)
Materials and supplies	4,368	3,666
Insurance	3,345	2,835
Contractual services	45,466	39,488
Professional services	3,467	1,642
Miscellaneous	12,477	12,163
Total administrative and general	\$ 133,519	\$ 103,860
Depreciation	\$ 600,873	\$ 700,704
Amortization	\$ (16,245)	\$ (12,700)
<b>Total operating expenses</b>	<b>\$ 2,524,839</b>	<b>\$ 2,530,438</b>
<b>Total operating revenues (expenses)</b>	<b>\$ 229,181</b>	<b>\$ 179,965</b>
<b>Non-operating revenues (expenses)</b>		
Interest revenue	\$ 73,676	\$ 34,448
Lease revenue	38,949	29,968
Regulatory commission tax	(3,577)	(3,916)
Interest expense	(75,288)	(73,554)
Amortization on leases	(8,725)	
Gain (loss) on disposal of assets	6,160	(4,977)
<b>Total non-operating revenues (expenses)</b>	<b>\$ 31,195</b>	<b>\$ (18,031)</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 260,376</b>	<b>\$ 161,934</b>
<b>Capital contributions</b>		
Contributions in aid of construction	\$ 628,577	\$ 191,798
<b>Total capital contributions</b>	<b>\$ 628,577</b>	<b>\$ 191,798</b>
<b>Change in net position</b>	<b>\$ 888,953</b>	<b>\$ 353,732</b>
<b>Net position - Beginning of year</b>	<u>16,401,761</u>	<u>16,048,029</u>
<b>Net position - End of year</b>	<u><u>\$ 17,290,714</u></u>	<u><u>\$ 16,401,761</u></u>

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

**Simpson County Water District**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 2,752,067	\$ 2,696,036
Cash payments to suppliers for goods and services	(1,648,892)	(1,429,468)
Cash payments to employees for services	(360,782)	(360,602)
<b>Net cash flows from operating activities</b>	<b>\$ 742,393</b>	<b>\$ 905,966</b>
<b>Cash flows from capital and related financing activities</b>		
Cash received from contributions in aid of construction	\$ 26,112	\$ 30,700
Cash received from sale of asset	6,160	
Cash paid for capital assets	(644,082)	(543,981)
Cash paid for bond and note principal	(132,000)	(65,000)
Cash paid for interest on long-term debt	(73,784)	(71,361)
<b>Net cash flows from capital and related financing activities</b>	<b>\$ (817,594)</b>	<b>\$ (649,642)</b>
<b>Cash flows from investing activities</b>		
Lease revenue	\$ 38,949	\$ 31,702
Interest received	73,676	32,306
<b>Net cash flows from investing activities</b>	<b>\$ 112,625</b>	<b>\$ 64,008</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 37,424</b>	<b>\$ 320,332</b>
<b>Cash and cash equivalents - Beginning</b>	<b>2,671,788</b>	<b>2,351,456</b>
<b>Cash and cash equivalents - Ending</b>	<b>\$ 2,709,212</b>	<b>\$ 2,671,788</b>
<b>Cash and cash equivalents reported in the Statement of Net Position</b>		
Cash and cash equivalents	\$ 2,062,246	\$ 2,069,740
Restricted cash and cash equivalents	646,966	602,048
<b>Total cash and cash equivalents reported in the Statement of Net Position</b>	<b>\$ 2,709,212</b>	<b>\$ 2,671,788</b>
<b>Reconciliation of cash flows from operating activities</b>		
Operating income	\$ 229,181	\$ 179,965
Adjustments to reconcile income (loss) from operation to cash used in operating activities		
Depreciation	600,873	700,704
Amortization	(24,970)	(12,700)
Gain on sale of assets	(6,160)	
Regulatory commission tax	(3,577)	(3,916)
Lease payments	(9,600)	(5,600)
Changes in assets and liabilities		
Customer accounts receivable, net	(48)	(4,241)
Accounts receivable - Other	(302)	31,062
Unbilled receivables	3,423	(42,921)
Prepaid assets	(2,106)	(258)
Other current assets	(10,756)	9,852
Accounts payable	(10,052)	108,695
Accounts payable - WCWD	(21,471)	(39,442)
Customer deposits	1,134	1,733
Other postemployment benefits	3,238	(17,893)
Other current liabilities	(6,414)	926
<b>Net cash flows from operating activities</b>	<b>\$ 742,393</b>	<b>\$ 905,966</b>

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

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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

**A. Description of Entity**

Simpson County Water District (District) is a tax-exempt entity organized under Kentucky Revised Statutes (KRS) Section 74.010 which provides a public water system to citizens located primarily in Simpson County, Kentucky. The District is governed by a 3-member board (Board), appointed by the Simpson County Judge Executive, and is a legally separate entity that is a component unit of Simpson County Fiscal Court.

**B. Basis of Presentation and Accounting**

The financial statements are presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB). The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All of the activities are accounted for as an enterprise fund (a proprietary fund) for financial reporting purposes.

**C. Proprietary Fund**

The District is a single-enterprise proprietary fund that operates in a manner similar to a private business enterprise and for which a periodic determination of revenues earned, expenses incurred, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. District activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized as soon as they result in liabilities for the benefits provided.

Proprietary funds distinguish operating revenues and expenses from non-operating items as follows:

- Operating revenues generally result from providing services in connection with the proprietary funds' principal ongoing operations;
- Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets; and
- Federal, state, and local assistance used to finance operations and expenses not related to the provision of water services are reported as non-operating revenues and expenses.

It is the District's policy to apply restricted resources when an obligation is incurred for which both restricted and unrestricted net position are available for use.

**D. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; general liability claims; and natural disasters. The District manages these risks through the purchase of insurance.

The District extends credit to all citizens who live within the geographic service area of the District and who utilize the utility system. Credit losses are generally minimal and within management's expectations.

**E. Exchange and Non-Exchange Transactions**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. Non-exchange transactions are transactions

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 1. Description of Entity and Summary of Significant Accounting Policies** *(Continued)*

**E. Exchange and Non-Exchange Transactions** *(Continued)*

in which the District receives value without directly giving equal value in return. Revenue from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include the following: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; (2) matching requirements, in which the District must provide local resources to be used for a specified purpose; and (3) expenditure requirements, in which resources are provided to the District on a reimbursement basis.

**F. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within 3 months or less of the date acquired by the District.

**G. Accounts Receivable**

Customer accounts receivable amounts arise from monthly water usage. Based on District policy, water meters are read monthly with billings occurring approximately 10 days subsequent to the reading. Once billed, the customer has 16 days to pay the amount due. If payment is not made by the due date, a late notice is sent to the customer and a grace period of up to 4 days is granted. If payment is not made at the expiration of the grace period, a late penalty is assessed to water charges and delinquent notices are sent. Customers are given 14 days from the date of the delinquent notice to render payment. Customer service may call customers to facilitate collection; if no payment is received, collection trips are made to the service location. If collection does not occur, the meter is shut off.

Management's periodic evaluation of the adequacy of the allowance for doubtful accounts is based on past loss experience, known and other risks inherent to the specific amount, adverse situations that may affect the customer's ability to render payment, and current economic conditions. Management considers many factors in determining whether a receivable is impaired, such as payment history and changes in employment.

**H. Capital Assets**

The District has an ongoing activity of assessing the feasibility of installing additional lines to new service areas. Once an extension is considered feasible, there are additional engineering studies, applications to various funding agencies, and project administrative costs. The District defers the ongoing activity and capitalizes these costs as part of the utility plant upon completion of the project. Management's capitalization policy is based upon the assets' estimated future benefit. Depreciation is computed using the straight-line method over the estimated useful lives of the utility plant. The estimated useful lives range from 5 to 62.5 years for utility plant assets.

**I. Capital Contributions**

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Contributions may include connect fees, developer contributed utility systems, and other

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 1. Description of Entity and Summary of Significant Accounting Policies** *(Continued)*

**I. Capital Contributions** *(Continued)*

supplemental support by other utilities and industrial customers and federal, state, and local grants in support of system improvements.

**J. Debt**

Long-term debt is reported at face value, net of any premium or discount on the bond issuance. Bond premiums and bond discounts are amortized as interest expense over the life of the bonds.

**K. Net Position**

The net position classifications are defined as follows:

- *Net investment in capital assets*: This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets;
- *Restricted*: This component consists of funds with external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation; and
- *Unrestricted net position*: This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**L. Use of Estimates in Preparation of Financial Statements**

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Note 2. Changes to Useful Lives of Capital Assets**

On September 30, 2023, the District made an adjustment to the depreciable lives of their property, plant, and equipment in order to comply with the National Association of Regulatory Utility Commissioner’s guidelines. This change in depreciable lives was applied on a prospective basis and resulted in no change to the beginning net assets of the District. The change in depreciable lives resulted in an increase in depreciation expense for the year ended December 31, 2023 of \$41,634.

**Note 3. Deposits, Restricted Cash and Cash Equivalents, Investments, and Restricted Investments**

**A. Deposits**

The District maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS. According to KRS Section 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 3. Deposits, Restricted Cash and Cash Equivalents, Investments, and Restricted Investments**  
*(Continued)*

**A. Deposits** *(Continued)*

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution’s failure, the District’s deposits may not be returned. The District has a formal deposit policy addressing custodial credit risk which requires their depository institutions to pledge sufficient collateral to secure their deposits in excess of FDIC insurance. At December 31, 2023 and 2022, the District’s deposits were fully covered by federal depository insurance or by collateral held by depository institutions totaling \$2,404,823 and \$2,626,887, respectively.

**B. Restricted Cash and Cash Equivalents**

Restricted cash consists of the following:

	<u>2023</u>	<u>2022</u>
Sinking funds	\$ 177,665	\$ 170,721
Depreciation fund	309,480	272,640
Customer deposits fund (Restated)	159,821	158,687
Total restricted cash	<u>\$ 646,966</u>	<u>\$ 602,048</u>

The sinking funds are restricted to the payment of principal and interest on long-term debt. The depreciation fund is restricted to payment for improvements and approved repairs. The customer deposits fund is restricted to holding customer deposits until service is terminated.

**Note 4. Commitments**

On March 6, 1992, the District signed a water purchase agreement with the White House Utility District of Robertson and Sumner Counties, Tennessee (Utility). The agreement provides that the Utility will be the primary provider of water to the District. The contract shall extend for a term of 40 years with an option to renew or extend the contract for an additional 20 years.

The District received a grant award of \$180,174 from the State of Kentucky as part of the Cleaner Water Program (CWP) Round 1. These funds are to be allocated to Simpson County Water Line Replacements – Phase 2 project. A grant award of \$314,221 from the State of Kentucky was also received as part of the CWP Round 2, which is also to be allocated to Simpson County Water Line Replacements – Phase 2 project. This project is currently in the final stages of design. Both grants are provided through the American Rescue Plan Act of 2021.

The District has committed to an upgrade of its system-wide Supervisory Control And Data Acquisition system. The system consists of remote terminal units which provide telemetry, control, and alarming for 22 pump stations, storage tanks, and metering sites. The estimated cost of the project is \$609,687 and will be funded internally. Total costs incurred as of December 31, 2023 are \$336,903.

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 5. Long-Term Debt**

**A. Changes in Long-term Debt**

The following reflects the long-term debt activity for the year ended December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable	\$ 1,477,000	\$	\$ 27,000	\$ 1,450,000	\$ 27,500
Other debt	1,430,000		105,000	1,325,000	110,000
<b>Total</b>	<u>\$ 2,907,000</u>	<u>\$</u>	<u>\$ 132,000</u>	<u>\$ 2,775,000</u>	<u>\$ 137,500</u>

The following reflects the long-term debt activity for the year ended December 31, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable	\$ 1,477,000	\$	\$	\$ 1,477,000	\$ 27,000
Other debt	1,495,000		65,000	1,430,000	105,000
<b>Total</b>	<u>\$ 2,972,000</u>	<u>\$</u>	<u>\$ 65,000</u>	<u>\$ 2,907,000</u>	<u>\$ 132,000</u>

**B. Bonds and Notes Payable**

Bonds and notes payable consists of the following as of December 31, 2023:

USDA Rural Development 91-09 Series 2020 – Revenue Bonds, interest at 1.875% with a maturity date of January 1, 2060.	\$ 1,450,000
Total bonds and notes payable	\$ 1,450,000
Less: Current maturities	27,500
Total long-term bonds and notes payable	<u>\$ 1,422,500</u>

Bonds and notes payable consists of the following as of December 31, 2022:

USDA Rural Development 91-09 Series 2020 – Revenue Bonds, interest at 1.875% with a maturity date of January 1, 2060.	\$ 1,477,000
Total bonds and notes payable	\$ 1,477,000
Less: Current maturities	27,000
Total long-term bonds and notes payable	<u>\$ 1,450,000</u>

Principal and interest due at December 31, 2023 follows:



**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 5. Long-Term Debt** *(Continued)*

**B. Bonds and Notes Payable** *(Continued)*

<u>Year Ending December 31,</u>		<u>Interest</u>	<u>Principal</u>
2024	\$	26,930	\$ 27,500
2025		26,409	28,000
2026		25,880	28,500
2027		25,341	29,000
2028		24,792	29,500
2029 – 2033		115,364	156,500
2034 – 2038		99,989	171,500
2039 – 2043		83,114	188,500
2044 – 2048		64,594	207,000
2049 – 2053		44,292	226,500
2054 – 2058		22,003	249,000
2059 – 2060		2,067	108,500
Total	\$	<u>560,775</u>	\$ <u>1,450,000</u>

Principal and interest due at December 31, 2022 follows:

<u>Year Ending December 31,</u>		<u>Interest</u>	<u>Principal</u>
2023	\$	27,441	\$ 27,000
2024		26,930	27,500
2025		26,409	28,000
2026		25,880	28,500
2027		25,341	29,000
2028 – 2032		118,270	153,500
2033 – 2037		103,177	168,500
2038 – 2042		86,616	185,000
2043 – 2047		68,438	203,000
2048 – 2052		48,502	222,500
2053 – 2057		26,630	244,500
2058 – 2060		4,584	160,000
Total	\$	<u>588,218</u>	\$ <u>1,477,000</u>

**Bond Collateralization and Event of Default Consequence**

According to bond documents, the bonds shall be payable solely out of the gross revenues of the District. Upon the occurrence of an Event of Default, and upon the filing of a suit by any Owner of said bonds, any court having jurisdiction of the action may appoint a receiver to administer said District with power to charge

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 5. Long-Term Debt** *(Continued)*

**B. Bonds and Notes Payable** *(Continued)*

**Bond Collateralization and Event of Default Consequence** *(Continued)*

and collect rates sufficient to provide for the payment of operating and maintenance expenses, for payment of principal of and interest on the prior bonds and current bonds and apply the income and revenues in conformity with the Resolution and with the laws of the Commonwealth of Kentucky.

**C. Other Debt**

Other debt consists of the following as of December 31, 2023:

Kentucky Rural Water Finance Corporation Series 2021A – Refunding Loan, interest at 2.25% - 4.25% with a maturity date of February 1, 2034.	\$	1,325,000
Total other debt	\$	<u>1,325,000</u>
Less: Current maturities		<u>110,000</u>
Total other debt	\$	<u><u>1,215,000</u></u>

Other debt consists of the following as of December 31, 2022:

Kentucky Rural Water Finance Corporation Series 2021A – Refunding Loan, interest at 2.25% - 4.25% with a maturity date of February 1, 2034.	\$	1,430,000
Total other debt	\$	<u>1,430,000</u>
Less: Current maturities		<u>105,000</u>
Total other debt	\$	<u><u>1,325,000</u></u>

Principal and interest due at December 31, 2023 follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2024	\$ 41,775	\$ 110,000
2025	37,100	110,000
2026	32,319	115,000
2027	27,325	120,000
2028	22,119	125,000
2029 – 2033	46,463	700,000
2034	506	45,000
Total	<u>\$ 207,607</u>	<u>\$ 1,325,000</u>

Principal and interest due at December 31, 2022 follows:

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 5. Long-Term Debt** *(Continued)*

**C. Other Debt** *(Continued)*

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>
2023	\$ 46,344	\$ 105,000
2024	41,775	110,000
2025	37,100	110,000
2026	32,319	115,000
2027	27,325	120,000
2028 – 2032	65,938	680,000
2033 – 2034	3,150	190,000
Total	<u>\$ 253,951</u>	<u>\$ 1,430,000</u>

**Note 6. Capital Assets**

Capital assets at December 31, 2023 consists of the following:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land and land rights	\$ 25,549	\$	\$	\$ 25,549
Construction in progress	69,804	743,327	286,997	526,134
Assets being depreciated:				
Utility plant in service	<u>25,340,506</u>	<u>840,265</u>	<u>263,469</u>	<u>25,917,302</u>
Total capital assets	\$ 25,435,859	\$ 1,583,592	\$ 550,466	\$ 26,468,985
Less: Accumulated depreciation	<u>8,449,180</u>	<u>600,873</u>	<u>263,469</u>	<u>8,786,584</u>
Capital assets, net	<u>\$ 16,986,679</u>	<u>\$ 982,719</u>	<u>\$ 286,997</u>	<u>\$ 17,682,401</u>

Capital assets at December 31, 2022 consists of the following:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land and land rights	\$ 25,549	\$	\$	\$ 25,549
Construction in progress	8,362	554,531	493,089	69,804
Assets being depreciated:				
Utility plant in service	<u>24,722,664</u>	<u>631,044</u>	<u>13,202</u>	<u>25,340,506</u>
Total capital assets	\$ 24,756,575	\$ 1,185,575	\$ 506,291	\$ 25,435,859
Less: Accumulated depreciation	<u>7,756,701</u>	<u>700,704</u>	<u>8,225</u>	<u>8,449,180</u>
Capital assets, net	<u>\$ 16,999,874</u>	<u>\$ 484,871</u>	<u>\$ 498,066</u>	<u>\$ 16,986,679</u>

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 7. Rebates Payable**

These amounts are partially made up of private developers' unrecovered costs in installing water lines. Capital assets were increased for a like amount when the facilities were donated to the District. As meters are placed in the development, the developer receives up to half of the new customers' contributions for meters connected directly to the extension over the next 10 years or up to the value of facilities constructed. The remaining balance in this account was obtained from subscriptions of prospective users of the District. When a meter is installed, the subscribed amount is transferred to contributions in aid of construction.

**Note 8. Related Parties**

The Warren County Water District (Warren) provides management, engineering, and repair and maintenance services to the District. The District included \$9,107 and \$31,176, respectively, in accounts payable at December 31, 2023 and 2022. During 2023 and 2022, expenses from Warren amounted to \$1,240,786 and \$1,049,044, respectively, for the following:

	<u>2023</u>	<u>2022</u> <u>Restated</u>
Wages and benefits		
Operation (Restated)	\$ 254,688	\$ 268,334
Administrative		
Supervision and administration	103,124	99,205
Accounting	34,570	32,092
Customer service	73,989	63,599
Engineering	28,296	22,889
Operations – Other (Restated)	224,545	184,179
Additions to plant (Restated)	503,363	318,242
Special projects	18,211	60,504
Total	<u>\$ 1,240,786</u>	<u>\$ 1,049,044</u>

In addition to the previously identified expenses from Warren, the District also recognized other postemployment benefits (OPEB) expense of \$3,238 in 2023 and (\$17,893) in 2022. Warren adopted GASB Statement No. 45 in 2016 and GASB Statement No. 75 in 2019, which requires Warren to accrue the projected value of retiree healthcare benefits earned during its employees' working lifetime. The OPEB expense reflected in the Statement of Revenues, Expenses, and Changes in Net Position is the District's proportionate share of annual OPEB costs (expense) recorded by Warren, in accordance with relevant accounting and financial reporting standards. The District's portion of the OPEB liability, included in the Statement of Net Position, totaled \$90,924 and \$85,528, respectively, at December 31, 2023 and 2022. In the ordinary course of business, the District has and expects to continue to have transactions with Warren. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other entities and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

The above expenses for the year ended December 31, 2022 were increased by \$182,597. This was due to expenses that were not included in the prior year. These expenses were included as part of the financial statements so no restatement of beginning net position was necessary.

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 9. Leases**

**Leases Payable**

The District leases office space under leases whose terms are greater than 1 year. Amortization expenses for those leases for the years ended December 31, 2023 and 2022, totaled \$8,725 and \$4,852, respectively.

Future minimum commitments as of December 31, 2023 for these leases are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2024	\$ 1,272	\$ 8,328
2025	846	8,754
2026	398	9,202
2027	29	2,936
Total	<u>\$ 2,545</u>	<u>\$ 29,220</u>

Future minimum commitments as of December 31, 2022 for these leases are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2023	\$ 1,677	\$ 7,923
2024	1,272	8,328
2025	846	8,754
2026	398	9,202
2027	29	2,936
Total	<u>\$ 4,222</u>	<u>\$ 37,143</u>

**Leases Receivable**

The District leases water tank space to technology companies under leases whose terms are greater than 1 year. Lease revenue for those leases for the years ended December 31, 2023 and 2022 totaled \$31,770 and \$31,702, respectively.

Future minimum commitments at December 31, 2023 for these leases are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2024	\$ 3,487	\$ 31,747
2025	1,941	26,188
2026	840	20,740
2027	47	5,482
Total	<u>\$ 6,315</u>	<u>\$ 84,158</u>

Future minimum commitments as of December 31, 2022 for these leases are as follows:

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**  
*(Continued)*

**Note 9. Leases** *(Continued)*

**Leases Receivable** *(Continued)*

<b><u>Year Ending December 31,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2023	\$ 5,135	\$ 31,067
2024	3,546	32,656
2025	1,969	26,238
2026	872	20,708
2027	58	6,144
Total	<u>\$ 11,580</u>	<u>\$ 116,813</u>

**Note 10. Reclassifications**

Restricted cash and cash equivalents in the amount of \$6,214 were reclassified to cash and cash equivalents in the Statement of Net Position for December 31, 2022. This was to correct the amount of restricted cash and cash equivalents for customer deposits and had no net effect on beginning net position.

**Note 11. Subsequent Events**

The District has evaluated and considered the need to recognize or disclose subsequent events through March 29, 2024, the date which the financial statements were available to be issued. On March 21, 2024, the District filed an Alternative Rate Adjustment with the Kentucky Public Service Commission (PSC) proposing a 5.8% rate increase. The proposed rate adjustment will be effective upon approval by the PSC.

Supplementary Information

**Simpson County Water District  
Schedule of Budgetary Comparison  
For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Metered water revenue	\$ 2,698,600	\$ 2,698,600	\$ 2,691,159	\$ (7,441)
Forfeited discounts	38,900	38,900	43,884	4,984
Miscellaneous service revenue	27,900	27,900	18,977	(8,923)
Interest	27,300	60,300	73,676	13,376
Lease	38,900	35,900	38,949	3,049
Gain on disposal of asset			6,160	6,160
<b>Total revenues</b>	<b>\$ 2,831,600</b>	<b>\$ 2,861,600</b>	<b>\$ 2,872,805</b>	<b>\$ 11,205</b>
<b>Expenses</b>				
Salaries and wages	\$ 282,100	\$ 237,100	\$ 228,758	\$ 8,342
Commissioner fees	10,800	10,800	10,800	
Employee overhead	171,500	136,500	132,023	4,477
Purchased water	1,167,000	1,292,000	1,254,537	37,463
Purchased power	35,700	37,700	34,445	3,255
Materials and supplies	42,600	55,600	51,299	4,301
Contractual services - Accounting	10,600	10,600	10,059	541
Contractual services - Legal	5,000	3,000	998	2,002
Contractual services - Other	153,400	138,400	149,100	(10,700)
Rental of building and property	10,100	10,100	3,192	6,908
Equipment	45,600	36,600	34,378	2,222
Insurance - Liability and property	12,500	15,000	14,949	51
Insurance - Treasury bond	900	900	803	97
Regulatory commission tax	4,000	4,000	3,577	423
Bad debts expense	5,000	6,500	5,726	774
Miscellaneous expense	5,900	7,400	5,906	1,494
Depreciation	543,700	604,700	600,873	3,827
Amortization	2,000	2,000	(7,520)	9,520
Interest	70,300	60,300	75,288	(14,988)
OPEB	5,400	3,400	3,238	162
<b>Total expenses</b>	<b>\$ 2,584,100</b>	<b>\$ 2,672,600</b>	<b>\$ 2,612,429</b>	<b>\$ 60,171</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 247,500</b>	<b>\$ 189,000</b>	<b>\$ 260,376</b>	<b>\$ 71,376</b>
<b>Contributions in aid of construction</b>	<b>520,995</b>	<b>20,995</b>	<b>628,577</b>	<b>607,582</b>
<b>Net change in net position</b>	<b>\$ 768,495</b>	<b>\$ 209,995</b>	<b>\$ 888,953</b>	<b>\$ 678,958</b>
<b>Net position - Beginning of year</b>	<b>17,487,838</b>	<b>17,337,438</b>	<b>16,401,761</b>	<b>(935,677)</b>
<b>Net position - End of year</b>	<b>\$ 18,256,333</b>	<b>\$ 17,547,433</b>	<b>\$ 17,290,714</b>	<b>\$ (256,719)</b>



# Jones & Associates CPAs, PSC

## Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To the Board of Commissioners of  
Simpson County Water District  
Franklin, Kentucky

### **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***

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 Simpson County Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Simpson County Water District's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 29, 2024.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Simpson County 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simpson County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Simpson 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 may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether Simpson 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

**To the Board of Commissioners of  
Simpson County Water District  
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*  
(Continued)**

**Report on Compliance and Other Matters (Continued)**

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 organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*Jones & Associates CPAs, PSC*

Jones & Associates CPAs, PSC  
Certified Public Accountants  
Lexington, Kentucky

March 29, 2024