

**Simpson County Water District**  
**Audited Financial Statements and**  
**Supplementary Information**  
**December 31, 2024 and 2023**

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



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

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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, 2024 and 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.

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, 2024 and 2023, 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 26, 2025, 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 26, 2025

## 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, 2024 and 2023. 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, 2024:

- Total Net Position increased by \$2,061,679, or 11.9%, to \$19,352,393 from \$17,290,714 in 2023 reflecting increases in cash and cash equivalents and capital assets.
- Total Operating Revenue increased slightly by \$4,079 totaling \$2,758,099 compared to \$2,754,020 in 2023.
- Total Operating Expenses increased by \$283,455 to \$2,808,294 compared to \$2,524,839 in 2023 consisting of increases in wages and benefits, purchased water, and contractual services.
- Income Before Capital Contributions totaled \$14,698, a decrease of \$245,678 compared to the prior year's Income Before Capital Contributions of \$260,376.
- Net Utility Plant increased by \$1,689,061, net of depreciation, to \$19,371,462 from \$17,682,401 in 2023 reflecting line extensions transferred from developers.
- Total water sold to customers during the year amounted to 363.3 million gallons compared to 378 million gallons in 2023, a decrease of 14.7 million gallons. The peak demand day was August 29<sup>th</sup> with 1,940,160 gallons pumped.
- New meter applications in year 2024 and year 2023 totaled 71 and 41, respectively, and the number of customers at the end of the year totaled 3,692 consisting of 3,265 residential customers and 427 commercial/industrial customers.
- The District's water system includes 406 miles of distribution main serving an average of 9.1 customers per mile.
- The average monthly revenue from a residential and commercial customer was \$36.70 and \$252.69, respectively. The average monthly usage by a residential and commercial customer was 4,730 gallons and 35,788 gallons, respectively.
- On October 29, 2024, the Kentucky Public Service Commission (PSC) approved a 3.35 percent retail rate increase.

### **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, 2024**

*Total Revenue* was lower than budgeted revenue by \$20,001 reflecting lower than expected metered water revenue, forfeited discounts, and miscellaneous service revenue. *Total Operating Expenses* related to providing water service and maintaining the District's water distribution system were under budget by \$19,506 consisting of salaries & wages and contractual services – other that were lower than anticipated. *Non-Operating Revenues (Expenses)* were over the budget amount by \$5,193 reflecting an increase in interest income due to higher than budgeted rates of return on the District's funds. *Net Income* totaled \$14,698 for the year, which exceeded budgeted net income by \$4,698, and *Capital Contributions* totaled \$2,046,981, which exceeded budgeted contributions by \$1,126,981. During the year, the District received contributions for water line extensions from developers totaling \$1,335,412 that were not budgeted.

Table 1  
TABLE OF BUDGETARY COMPARISON

	Budget Year 2024	Actual Year 2024	Variances Favorable \ (Unfavorable)
<b>Revenues</b>			
Metered Water Revenue	\$ 2,703,100	\$ 2,698,298	\$ (4,802)
Forfeited Discounts	42,000	38,404	(3,596)
Miscellaneous Service Revenue	33,000	21,397	(11,603)
Total Revenues	<u>\$ 2,778,100</u>	<u>\$ 2,758,099</u>	<u>\$ (20,001)</u>
<b>Operating Expenses</b>			
Operating Expenses	\$ 2,215,200	\$ 2,197,250	\$ 17,950
Depreciation	627,500	625,940	1,560
Amortization	(14,900)	(14,896)	(4)
Total Operating Expenses	<u>\$ 2,827,800</u>	<u>\$ 2,808,294</u>	<u>\$ 19,506</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	\$ 106,200	\$ 120,638	\$ 14,438
Lease Income	34,400	29,679	(4,721)
Regulatory Commission Tax	(4,700)	(4,340)	360
Interest Expense	(76,200)	(72,767)	3,433
Amortization on Leases		(8,317)	(8,317)
Total Non-Operating Revenues (Expenses)	<u>\$ 59,700</u>	<u>\$ 64,893</u>	<u>\$ 5,193</u>
Total Net Expenses	<u>\$ 2,768,100</u>	<u>\$ 2,743,401</u>	<u>\$ 24,699</u>
<b>Net Income</b>	<b>10,000</b>	<b>14,698</b>	<b>4,698</b>
Contribution in Aid of Construction	920,000	2,046,981	1,126,981
Net Change in Net Position	<u>\$ 930,000</u>	<u>\$ 2,061,679</u>	<u>\$ 1,131,679</u>

**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 \$65,261. Operating expenses that were under budget include: (1) purchased water, \$37,463; (2) wages & benefits, \$8,342 and \$4,477 respectively; (3) rental of building, \$6,908; and (4) various other costs were under budget by a net amount of \$8,071. *Non-Operating Revenues (Expenses)* were over the budget amount by \$17,495, 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 2  
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	<u>\$ 2,765,400</u>	<u>\$ 2,754,020</u>	<u>\$ (11,380)</u>
<b>Operating Expenses:</b>			
Operating Expenses	\$ 2,001,600	\$ 1,940,211	\$ 61,389
Depreciation	604,700	600,873	3,827
Amortization	(16,200)	(16,245)	45
Total Operating Expenses	<u>\$ 2,590,100</u>	<u>\$ 2,524,839</u>	<u>\$ 65,261</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest Income	\$ 60,300	\$ 73,676	\$ 13,376
Lease	35,900	38,949	3,049
Regulatory Commission Tax	(4,000)	(3,577)	423
Interest Expense	(78,500)	(75,288)	3,212
Amortization on Leases		(8,725)	(8,725)
Gain (Loss) on Disposal of Assets		6,160	6,160
Total Non-Operating Revenues (Expenses)	<u>\$ 13,700</u>	<u>\$ 31,195</u>	<u>\$ 17,495</u>
Total Net Expenses	<u>\$ 2,576,400</u>	<u>\$ 2,493,644</u>	<u>\$ 82,756</u>
<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	<u>\$ 209,995</u>	<u>\$ 888,953</u>	<u>\$ 678,958</u>

**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 \$19,352,393 for the year ending December 31, 2024.

Table 3  
CONDENSED STATEMENT OF NET POSITION  
December 31, 2024

<b>Assets</b>	Year 2024	Year 2023	Increase (Decrease)	
Current & Non-Current Assets	\$ 3,536,857	\$ 3,168,320	\$ 368,537	11.6%
Net Capital Assets & CIP	19,371,462	17,682,401	1,689,061	9.6%
Total Assets	\$ 22,908,319	\$ 20,850,721	\$ 2,057,598	9.9%
<b>Liabilities &amp; Deferred Inflows</b>				
Current & Non-Current Liabilities	\$ 922,494	\$ ,759,244	\$ 163,250	21.5%
Net Bonds & Notes Payable	2,565,276	2,718,172	(152,896)	-5.6%
Deferred Inflows – Leases	68,156	82,591	(14,435)	-17.5%
Total Liabilities & Deferred Inflows	\$ 3,555,926	\$ 3,560,007	\$ (4,081)	-0.1%
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 16,668,186	\$ 14,826,729	\$ 1,841,457	12.4%
Restricted for Debt Service	435,749	487,145	(51,396)	-10.6%
Unrestricted	2,248,458	1,976,840	271,618	13.7%
<b>Total Net Position</b>	\$ 19,352,393	\$ 17,290,714	\$ 2,061,679	11.9%
Total Liabilities & Net Position	\$ 22,908,319	\$ 20,850,721	\$ 2,057,598	9.9%

*Total Assets* amounted to \$22,908,319 and increased by \$2,057,598 or 9.9% 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 \$368,537. *Net Capital Assets & Construction in Progress (CIP)* includes the District's investment in land, distribution mains, pump stations, service lines, and storage tanks. Capital assets totaled \$19,371,462 and increased by \$1,689,061 reflecting increases in meter installations, water line extensions, and water line relocations.

*Total Liabilities & Deferred Inflows* amounted to \$3,555,926 and decreased by \$4,081 from last year. *Current & Non-Current Liabilities* which include accounts payable, customer deposits, interest payable, long-term debt due within one year, developer rebates, lease payable, and other post-employment benefits increased by \$163,250 and *Net Bonds & Notes Payable*, which includes debt obligations beyond a year, unamortized premiums, and bond discounts totaling \$2,565,276 decreased by \$152,896. *Deferred Inflows – Leases* represents deferred future revenue from cell and internet providers totaling \$68,156 for use of the District's facilities to mount their equipment on the District's storage tanks.

*Total Net Position* amounted to \$19,352,393, an increase of \$2,061,679 or 11.9% from last year. *Net Position Invested in Capital Assets*, which includes the District's transmission & distribution facilities net of related debt, increased by \$1,841,457. *Restricted For Debt Service* are funds set aside for principal and interest payments decreased by \$51,396 and *Unrestricted* funds that do not have a specific use increased slightly by \$271,618.

#### **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, 2024

	Year 2024	Year 2023	Increase (Decrease)	
<b>Operating Revenues</b>				
Metered Water Revenue	\$ 2,698,298	\$ 2,691,159	\$ 7,139	0.3%
Forfeited Discounts	38,404	43,884	(5,480)	-12.5%
Miscellaneous Service Revenue	21,397	18,977	2,420	12.8%
Total Operating Revenues	\$ 2,758,099	\$ 2,754,020	\$ 4,079	0.1%
<b>Operating Expenses</b>				
Wages & Benefits	\$ 474,175	\$ 360,781	\$ 113,394	31.4%
Commissioner Fees	10,800	10,800		0%
Purchased Water	1,295,381	1,254,537	40,844	3.3%
Purchased Power	32,154	34,445	(2,291)	-6.7%
Materials	78,393	51,299	27,094	52.8%
Contractual Services	223,675	160,157	63,518	39.7%
Rental of Building	3,192	3,192		0%
Equipment	49,923	34,378	15,545	45.2%
Depreciation	625,940	600,873	25,067	4.2%
Amortization	(14,896)	(16,245)	1,349	-8.3%
Other Operating Expenses	29,557	30,622	(1,065)	-3.5%
Total Operating Expenses	\$ 2,808,294	\$ 2,524,839	\$ 283,455	11.2%
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	\$ 120,638	\$ 73,676	\$ 46,962	63.7%
Rental Income	29,679	38,949	(9,270)	-23.8%
Public Service Commission Tax	(4,340)	(3,577)	(763)	21.3%
Interest Expense	(72,767)	(75,288)	2,521	-3.3%
Amortization on Leases	(8,317)	(8,725)	408	-4.7%
Gain (Loss) on Disposal of Assets		6,160	(6,160)	-100.0%
Total Non-Oper Revenues (Expenses)	\$ 64,893	\$ 31,195	\$ 33,698	108.0%
<b>Income Before Capital Contributions</b>	<b>\$ 14,698</b>	<b>\$ 260,376</b>	<b>\$(245,678)</b>	<b>-94.4%</b>
Capital Contributions	2,046,981	628,577	1,418,404	225.7%
Change in Net Position	2,061,679	888,953	1,172,726	131.9%
Net Position, Beginning of Year	17,290,714	16,401,761	888,953	5.4%
Net Position, End of Year	\$ 19,352,393	\$ 17,290,714	\$ 2,061,679	11.9%

*Total Operating Revenues* increased slightly by \$4,079 from last year, reflecting increases in both metered water revenue and miscellaneous service revenue. *Metered Water Revenue* increased by \$7,139 including residential revenue which increased by \$40,890 and commercial, industrial, and agricultural revenue which decreased by \$33,751. The volume of water sold this year was 363.3 million gallons compared to 378 million gallons last year, a decrease of 14.7 million gallons. *Forfeited Discounts*, which are late penalties

## Financial Analysis (Continued)

decreased by \$5,480 and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees slightly increased.

*Total Operating Expenses* increased by \$283,455 and consists of the following: (1) wages and benefits increased by \$113,394 reflecting new positions and system maintenance; (2) purchased water increased by \$40,844 due to a higher water loss; (3) contractual services increased by \$63,518 due to compliance with EPA lead and copper regulations; (4) materials increased by \$27,094 reflecting leak repairs and other system maintenance; and (5) all other expenses which increased by a net amount of \$38,605. *Non-Operating Revenues* increased by \$33,698, reflecting greater interest income on the District's funds.

*Capital Contributions* totaled \$2,046,981 and increased by \$1,418,404 compared to last year. During the year, contributions were received for the following: new meter installations, \$126,117; line extensions, \$1,203,766; line relocations, \$508,300; and fire protection, \$208,788. *Net Position* at the end of the year totaled \$19,352,393, an increase of \$2,061,679.

### Changes in Utility Plant

The largest portion of the district's assets are invested in utility plant totaling \$19,371,462 on December 31, 2024. Changes by asset category are listed below in Table 5.

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

Capital Investment	Year 2024	Year 2023	Increase (Decrease)	
Land	\$ 25,549	\$ 25,549	\$	0%
Structures	21	21		0%
Pumping Equipment	1,162,049	1,209,428	(47,379)	-3.9%
Storage Tanks	1,186,825	1,286,284	(99,459)	-7.7%
Distribution Mains	12,979,432	11,494,092	1,485,340	12.9%
SCADA Communications	13,279	15,404	(2,125)	-13.8%
Meters	2,578,775	2,436,994	141,781	5.8%
Hydrants	689,692	558,112	131,580	23.6%
Computer Hardware & Software	52,616	73,343	(20,727)	-28.3%
Furniture & Fixtures	3,876	4,080	(204)	-5.0%
Other	44,076	52,960	(8,884)	-16.8%
<b>TOTAL Capital Investment</b>	<b>\$ 18,736,190</b>	<b>\$ 17,156,267</b>	<b>\$ 1,579,923</b>	<b>9.2%</b>
Construction in Progress	635,272	526,134	109,138	20.7%
<b>NET Utility Plant</b>	<b>\$ 19,371,462</b>	<b>\$ 17,682,401</b>	<b>\$ 1,689,061</b>	<b>9.6%</b>

The District's utility plant includes the following: (1) 406 miles of distribution main, (2) 26 miles of service line, (3) 247 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, \$1,185,266; (2) line relocations, \$508,300; (3) customer meter installations, \$443,088; (4) other assets, \$66,249; (5) an increase in construction in progress including a SCADA controls project, \$109,139; and (6) reduction of \$622,981 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 Rural Water Finance Agency (RWFA) loans. As of December 31, 2024, the District had \$2,637,500 in outstanding principal compared to \$2,775,000 in the previous year, a decrease of \$137,500 in debt obligations.

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

- The East Side Pump Station & Transmission Project is budgeted and will be funded through Rural Water Financing Agency (RWFA). The project totaling \$3.5M will provide a connection and transmission from an alternate water supplier.
- The District budgeted a line replacement project totaling \$800,000 that will be funded with internal funds and proceeds from the American Rescue Plan Act (ARPA).
- The impact of regulatory changes from the Kentucky Division of Water, the Environmental Protection Agency, and the Kentucky Public Service Commission.
- The Kentucky Public Service Commission approved a retail rate increase of 3.35% which is budgeted to increase metered revenue by \$92,277.
- The District purchases water from White House Utility District (WHUD). On 1/1/2025, WHUD increased its purchased water rate which the District passed through to its customers. The impact will increase purchased water costs by \$276,470, which will be recovered through the District's retail rates.

The District's board of commissioners adopted the budget for 2025 at its meeting held in October 2024. Metered water sales are budgeted to increase by 17.6%. Total revenue is budgeted to increase by 15.3% from year 2024, and total expenses are budgeted to increase by 22.3%. Debt service payments are expected to total \$329,200 with a reduction in outstanding debt of \$138,000. A net loss of \$187,500 is budgeted for year. Capital expenditures for the year are budgeted to total \$5,570,500 using internal funds of \$940,500, proceeds from financing of \$3,855,605, 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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,491,452	\$ 2,062,246
Restricted cash and cash equivalents	596,942	646,966
Customer accounts receivable, net	49,957	67,295
Accounts receivable - Other	28,947	10,848
Unbilled receivables	236,180	231,222
Prepaid assets	14,977	12,616
Lease receivable	33,148	31,747
Other current assets	<u>27,077</u>	<u>24,551</u>
Total current assets	\$ <u>3,478,680</u>	\$ <u>3,087,491</u>
Noncurrent assets		
Capital assets, net	\$ 18,736,190	\$ 17,156,267
Lease receivable	38,076	52,411
Construction in progress	635,272	526,134
Right-of-use asset, net	<u>20,101</u>	<u>28,418</u>
Total noncurrent assets	\$ <u>19,429,639</u>	\$ <u>17,763,230</u>
<b>Total assets</b>	<u><u>\$ 22,908,319</u></u>	<u><u>\$ 20,850,721</u></u>
<b>Liabilities, deferred inflows of resources, and net position</b>		
Liabilities		
Current liabilities		
Accounts payable	\$ 267,630	\$ 211,161
Accounts payable - WCWD	3,170	9,705
Customer deposits	161,193	159,821
Bonds and notes payable	138,000	137,500
Interest payable	29,695	31,899
Lease payable	8,754	8,328
Other current liabilities	<u>22,893</u>	<u>11,894</u>
Total current liabilities	\$ <u>631,335</u>	\$ <u>570,308</u>
Noncurrent liabilities		
Bonds and notes payable, net	\$ 2,565,276	\$ 2,718,172
Other postemployment benefits	92,101	90,924
Rebates payable	186,920	77,120
Lease payable	<u>12,138</u>	<u>20,892</u>
Total noncurrent liabilities	\$ <u>2,856,435</u>	\$ <u>2,907,108</u>
Total liabilities	<u><u>\$ 3,487,770</u></u>	<u><u>\$ 3,477,416</u></u>

**Simpson County Water District**  
**Statement of Net Position - Proprietary Fund**  
**December 31, 2024 and 2023**  
*(Continued)*

**Liabilities, deferred inflows of resources, and net position**

*(Continued)*

Deferred inflows of resources		
Leases	\$ <u>68,156</u>	\$ <u>82,591</u>
Total deferred inflows of resources	\$ <u>68,156</u>	\$ <u>82,591</u>
Net position		
Net investment in capital assets	\$ 16,668,186	\$ 14,826,729
Restricted		
Debt service	435,749	487,145
Unrestricted	<u>2,248,458</u>	<u>1,976,840</u>
Total net position	\$ <u>19,352,393</u>	\$ <u>17,290,714</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ <u>22,908,319</u></b>	<b>\$ <u>20,850,721</u></b>

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating revenues</b>		
Residential metered sales	\$ 1,428,442	\$ 1,387,552
Commercial metered sales	849,390	856,001
Industrial metered sales	393,759	422,705
Agricultural metered sales	26,707	24,901
Forfeited discounts	38,404	43,884
Miscellaneous service revenue	<u>21,397</u>	<u>18,977</u>
<b>Total operating revenues</b>	<b>\$ 2,758,099</b>	<b>\$ 2,754,020</b>
<b>Operating expenses</b>		
Purchased water	<u>\$ 1,295,381</u>	<u>\$ 1,254,537</u>
Pumping		
Purchased power	\$ 28,045	\$ 30,427
Insurance	2,222	1,794
Professional services	1,250	1,257
Miscellaneous	<u>365</u>	<u>365</u>
Total pumping	<u>\$ 31,882</u>	<u>\$ 33,843</u>
General distribution		
Salaries and benefits	\$ 131,710	\$ 102,883
Purchased power	4,109	4,018
Materials and supplies	4,846	8,458
Insurance	10,927	8,820
Contractual services	19,337	30,992
Professional services	1,250	1,257
Miscellaneous	<u>21,770</u>	<u>18,804</u>
Total general distribution	<u>\$ 193,949</u>	<u>\$ 175,232</u>
Customer accounts		
Salaries and benefits	\$ 171,820	\$ 143,828
Materials and supplies	3,174	2,187
Insurance	2,222	1,794
Contractual services	41,470	39,549
Professional services	2,500	2,561
Uncollectible accounts	2,968	5,726
Miscellaneous	<u>15,331</u>	<u>14,415</u>
Total customer accounts	<u>\$ 239,485</u>	<u>\$ 210,060</u>
Maintenance		
Salaries and benefits	\$ 84,269	\$ 52,913
Materials and supplies	63,177	36,286
Contractual services	103,131	33,092
Professional services	2,500	2,515
Miscellaneous	<u>17,696</u>	<u>8,214</u>

**Simpson County Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

	<u>2024</u>	<u>2023</u>
<b>Operating expenses (Continued)</b>		
Total maintenance	\$ 270,773	\$ 133,020
Administrative and general		
Salaries and benefits	\$ 86,376	\$ 61,158
Other postemployment benefits	706	3,238
Materials and supplies	7,196	4,368
Insurance	3,953	3,345
Contractual services	47,130	45,466
Professional services	5,107	3,467
Miscellaneous	15,312	12,477
Total administrative and general	\$ 165,780	\$ 133,519
Depreciation	\$ 625,940	\$ 600,873
Amortization	\$ (14,896)	\$ (16,245)
<b>Total operating expenses</b>	<b>\$ 2,808,294</b>	<b>\$ 2,524,839</b>
<b>Total operating revenues (expenses)</b>	<b>\$ (50,195)</b>	<b>\$ 229,181</b>
<b>Non-operating revenues (expenses)</b>		
Interest revenue	\$ 120,638	\$ 73,676
Lease revenue	29,679	38,949
Regulatory commission tax	(4,340)	(3,577)
Interest expense	(72,767)	(75,288)
Amortization on leases	(8,317)	(8,725)
Gain (loss) on disposal of assets		6,160
<b>Total non-operating revenues (expenses)</b>	<b>\$ 64,893</b>	<b>\$ 31,195</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 14,698</b>	<b>\$ 260,376</b>
<b>Capital contributions</b>		
Contributions in aid of construction	\$ 2,046,981	\$ 628,577
<b>Total capital contributions</b>	<b>\$ 2,046,981</b>	<b>\$ 628,577</b>
<b>Change in net position</b>	<b>\$ 2,061,679</b>	<b>\$ 888,953</b>
<b>Net position - Beginning of year</b>	<b>17,290,714</b>	<b>16,401,761</b>
<b>Net position - End of year</b>	<b>\$ 19,352,393</b>	<b>\$ 17,290,714</b>

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 2,783,431	\$ 2,752,067
Cash payments to suppliers for goods and services	(1,659,921)	(1,609,943)
Cash payments to employees for services	(474,175)	(360,782)
<b>Net cash flows from operating activities</b>	<u>\$ 649,335</u>	<u>\$ 781,342</u>
<b>Cash flows from capital and related financing activities</b>		
Cash received from contributions in aid of construction	\$ 861,715	\$ 26,112
Cash received from sale of asset		6,160
Cash paid for capital assets	(1,046,301)	(644,082)
Cash paid for bond and note principal	(137,500)	(132,000)
Cash paid for interest on long-term debt	(68,705)	(73,784)
<b>Net cash flows from capital and related financing activities</b>	<u>\$ (390,791)</u>	<u>\$ (817,594)</u>
<b>Cash flows from investing activities</b>		
Interest received	\$ 120,638	\$ 73,676
<b>Net cash flows from investing activities</b>	<u>\$ 120,638</u>	<u>\$ 73,676</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 379,182	\$ 37,424
<b>Cash and cash equivalents - Beginning</b>	<u>2,709,212</u>	<u>2,671,788</u>
<b>Cash and cash equivalents - Ending</b>	<u><u>\$ 3,088,394</u></u>	<u><u>\$ 2,709,212</u></u>
<b>Cash and cash equivalents reported in the Statement of Net Position</b>		
Cash and cash equivalents	\$ 2,491,452	\$ 2,062,246
Restricted cash and cash equivalents	596,942	646,966
<b>Total cash and cash equivalents reported in the Statement of Net Position</b>	<u><u>\$ 3,088,394</u></u>	<u><u>\$ 2,709,212</u></u>
<b>Reconciliation of cash flows from operating activities</b>		
Operating income	\$ (50,195)	\$ 229,181
Adjustments to reconcile income (loss) from operation to cash used in operating activities		
Depreciation	625,940	600,873
Amortization	(14,896)	(16,245)
Reduction in the carrying amount of right-of-use assets - operating leases	8,317	8,725
Gain on sale of assets		(6,160)
Regulatory commission tax	(4,340)	(3,577)
Interest received from leases	16,745	3,695
Interest paid on leases	(1,272)	(1,677)
Changes in assets and liabilities		
Customer accounts receivable, net	17,338	(48)
Accounts receivable - Other	(18,099)	(302)
Unbilled receivables	(4,958)	3,423
Prepaid assets	(2,361)	(2,106)
Lease receivable	12,934	17,804
Other current assets	(2,526)	(10,756)
Accounts payable	68,494	(10,052)
Accounts payable - WCWD	(6,535)	(21,471)
Customer deposits	1,372	1,134
Other postemployment benefits	706	3,238
Lease payable	(8,328)	(7,923)
Other current liabilities	10,999	(6,414)
<b>Net cash flows from operating activities</b>	<u><u>\$ 649,335</u></u>	<u><u>\$ 781,342</u></u>

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, 2024 and 2023**

**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, 2024 and 2023**  
*(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; other

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(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. 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.

**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, 2024 and 2023, the District's deposits were fully covered by federal depository insurance or by collateral held by depository institutions totaling \$3,238,523 and \$2,404,823, respectively.

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 2. Deposits, Restricted Cash and Cash Equivalents, Investments, and Restricted Investments**  
*(Continued)*

**B. Restricted Cash and Cash Equivalents**

Restricted cash consists of the following:

	<u><b>2024</b></u>		<u><b>2023</b></u>
Sinking funds	\$ 180,149	\$	177,665
Depreciation fund	255,600		309,480
Customer deposits fund	161,193		159,821
Total restricted cash	<u>\$ 596,942</u>	\$	<u>646,966</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 3. 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 the 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 the 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 \$609,700 and will be funded internally. Total costs incurred as of December 31, 2024, are \$434,872.

**Note 4. Long-Term Debt**

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

The following reflects the long-term debt activity for the year ended December 31, 2024:

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 4. Long-Term Debt** *(Continued)*

**A. Changes in Long-term Debt** *(Continued)*

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Bonds and notes payable	\$ 1,450,000	\$	\$ 27,500	\$ 1,422,500	\$ 28,000
Other debt	1,325,000		110,000	1,215,000	110,000
<b>Total</b>	<b>\$ 2,775,000</b>	<b>\$</b>	<b>\$ 137,500</b>	<b>\$ 2,637,500</b>	<b>\$ 138,000</b>

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

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
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>	<b>\$ 2,907,000</b>	<b>\$</b>	<b>\$ 132,000</b>	<b>\$ 2,775,000</b>	<b>\$ 137,500</b>

**B. Bonds and Notes Payable**

Bonds and notes payable consists of the following as of December 31, 2024:

USDA Rural Development 91-09 Series 2020 – Revenue Bonds, interest at 1.875% with a maturity date of January 1, 2060.	\$ 1,422,500
Total bonds and notes payable	\$ 1,422,500
Less: Current maturities	28,000
Total long-term bonds and notes payable	<u>\$ 1,394,500</u>

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>

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 4. Long-Term Debt** *(Continued)*

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

Principal and interest due at December 31, 2024 follows:

<u><b>Year Ending December 31,</b></u>	<u><b>Interest</b></u>	<u><b>Principal</b></u>
2025	\$ 26,409	\$ 28,000
2026	25,880	28,500
2027	25,341	29,000
2028	24,792	29,500
2029	24,234	30,000
2030 – 2034	112,402	159,500
2035 – 2039	96,741	175,000
2040 – 2044	79,547	192,000
2045 – 2049	60,680	210,500
2050 – 2054	40,003	231,000
2055 – 2059	17,292	253,500
2060	525	56,000
Total	<u>\$ 533,846</u>	<u>\$ 1,422,500</u>

Principal and interest due at December 31, 2023 follows:

<u><b>Year Ending December 31,</b></u>	<u><b>Interest</b></u>	<u><b>Principal</b></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>

**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, 2024 and 2023**  
*(Continued)*

**Note 4. 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 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, 2024:

Kentucky Rural Water Finance Corporation Series 2021A – Refunding Loan, interest at 2.25% - 4.25% with a maturity date of February 1, 2034.	\$	1,215,000
Total other debt	\$	1,215,000
Less: Current maturities		110,000
Total other debt	\$	<u>1,105,000</u>

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	\$	1,325,000
Less: Current maturities		110,000
Total other debt	\$	<u>1,215,000</u>

Principal and interest due at December 31, 2024 follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2025	\$ 37,100	\$ 110,000
2026	32,319	115,000
2027	27,325	120,000
2028	22,119	125,000
2029	16,594	135,000
2030 – 2034	30,375	610,000
Total	<u>\$ 165,832</u>	<u>\$ 1,215,000</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, 2024 and 2023**  
*(Continued)*

**Note 4. Long-Term Debt** *(Continued)*

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

<u>Year Ending December 31,</u>		<u>Interest</u>	<u>Principal</u>
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>

**Note 5. Capital Assets**

Capital assets at December 31, 2024 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	526,134	558,796	449,658	635,272
Assets being depreciated:				
Utility plant in service	<u>25,917,302</u>	<u>2,205,863</u>	<u>2,959</u>	<u>28,120,206</u>
Total capital assets	\$ 26,468,985	\$ 2,764,659	\$ 452,617	\$ 28,781,027
Less: Accumulated depreciation	<u>8,786,584</u>	<u>625,940</u>	<u>2,959</u>	<u>9,409,565</u>
Capital assets, net	<u>\$ 17,682,401</u>	<u>\$ 2,138,719</u>	<u>\$ 449,658</u>	<u>\$ 19,371,462</u>

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>

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 6. 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 7. Related Parties**

The Warren County Water District (Warren) provides management, engineering, and repair and maintenance services to the District. The District included \$2,620 and \$9,107, respectively, in accounts payable at December 31, 2024 and 2023. During 2024 and 2023, expenses from Warren amounted to \$1,186,611 and \$1,240,786, respectively, for the following:

	<u>2024</u>	<u>2023</u>
Wages and benefits		
Operation	\$ 334,120	\$ 254,688
Administrative		
Supervision and administration	113,362	103,124
Accounting	38,452	34,570
Customer service	51,448	73,989
Operations	5,969	
Engineering	10,157	28,296
Operations – Other	225,592	224,545
Additions to plant	391,570	503,363
Special projects	15,941	18,211
Total	\$ <u>1,186,611</u>	\$ <u>1,240,786</u>

In addition to the previously identified expenses from Warren, the District also recognized other postemployment benefits (OPEB) expense of \$706 in 2024 and 3,238 in 2023. 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 \$92,101 and \$90,924, respectively, at December 31, 2024 and 2023. 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.

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 8. Leases**

**Lessor**

The District leases water tank space under leases whose terms are greater than 1 year. The total amount of inflows of resources, including lease revenue, interest, revenue, and other lease-related inflows, recognized was \$31,770 and \$38,322 during the years ended December 31, 2023 and December 31, 2024, respectively. This total represents amounts not previously included in the measurement of the lease receivable. Future minimum commitments for these leases as of December 31, 2024 are as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2025	\$ 2,732	\$ 33,148
2026	1,245	29,019
2027	89	9,057
Total	<u>\$ 4,066</u>	<u>\$ 71,224</u>

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

<b><u>Year Ending June 30,</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>

**Lessee**

The District leases office space under leases whose terms are greater than 1 year. The total of the District's leased assets are recorded at a cost of \$41,587, net of lease accumulated amortization of \$13,169 and \$21,487, at December 31, 2023 and December 31, 2024, respectively. The implicit rate for these leases was unavailable, but the District used an approximate incremental borrowing rate of 5% in determining the present value of lease payments. Future minimum commitments for these leases as of December 31, 2024 are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>
2025	\$ 846	\$ 8,754
2026	398	9,202
2027	29	2,936
Total	<u>\$ 1,273</u>	<u>\$ 20,892</u>

**Simpson County Water District**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2024 and 2023**  
*(Continued)*

**Note 8. Leases** *(Continued)*

**Lessee** *(Continued)*

Future minimum commitments for these leases as of December 31, 2023 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>

**Note 9. Subsequent Events**

The District has evaluated and considered the need to recognize or disclose subsequent events through March 26, 2025, 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) and subsequently the PSC approved a retail rate an increase of 3.35% effective on October 29, 2024.

On November 11, 2024, the District filed a Purchased Water Adjustment with the Kentucky Public Service Commission due to a wholesale rate increase from its supplier, White House Utility District. On December 20, 2024, the PSC approved a purchased water adjustment factor of \$0.87 per 1,000 gallons purchased effective on January 1, 2025.

Supplementary Information

**Simpson County Water District  
Schedule of Budgetary Comparison  
For the Year Ended December 31, 2024**

	<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	\$ 2,793,100	\$ 2,703,100	\$ 2,698,298	\$ (4,802)
Forfeited discounts	42,000	42,000	38,404	(3,596)
Miscellaneous service revenue	27,000	33,000	21,397	(11,603)
Interest	60,200	106,200	120,638	14,438
Lease	34,400	34,400	29,679	(4,721)
<b>Total revenues</b>	<b>\$ 2,956,700</b>	<b>\$ 2,918,700</b>	<b>\$ 2,908,416</b>	<b>\$ (10,284)</b>
<b>Expenses</b>				
Salaries and wages	\$ 249,700	\$ 314,700	\$ 301,612	\$ 13,088
Commissioner fees	10,800	10,800	10,800	
Employee overhead	147,700	177,700	172,563	5,137
Purchased water	1,295,200	1,250,200	1,295,381	(45,181)
Purchased power	37,400	37,400	32,154	5,246
Materials and supplies	47,200	87,200	78,393	8,807
Contractual services - Accounting	16,000	11,000	10,000	1,000
Contractual services - Legal	5,000	3,000	2,607	393
Contractual services - Other	162,200	222,200	211,068	11,132
Rental of building and property	10,100	11,100	3,192	7,908
Equipment	32,100	55,100	49,923	5,177
Insurance - Liability and property	16,400	19,400	18,520	880
Insurance - Treasury bond	800	800	804	(4)
Regulatory commission tax	3,700	4,700	4,340	360
Bad debts expense	7,500	4,000	2,968	1,032
Miscellaneous expense	8,600	7,600	6,559	1,041
Depreciation	610,900	627,500	625,940	1,560
Amortization	1,800	1,800	(6,579)	8,379
Interest	89,500	59,500	72,767	(13,267)
OPEB	3,000	3,000	706	2,294
<b>Total expenses</b>	<b>\$ 2,755,600</b>	<b>\$ 2,908,700</b>	<b>\$ 2,893,718</b>	<b>\$ 14,982</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 201,100</b>	<b>\$ 10,000</b>	<b>\$ 14,698</b>	<b>\$ 4,698</b>
<b>Contributions in aid of construction</b>	<b>774,395</b>	<b>920,000</b>	<b>2,046,981</b>	<b>1,126,981</b>
<b>Net change in net position</b>	<b>\$ 975,495</b>	<b>\$ 930,000</b>	<b>\$ 2,061,679</b>	<b>\$ 1,131,679</b>
<b>Net position - Beginning of year</b>	<b>18,256,333</b>	<b>17,547,433</b>	<b>17,290,714</b>	<b>(256,719)</b>
<b>Net position - End of year</b>	<b>\$ 19,231,828</b>	<b>\$ 18,477,433</b>	<b>\$ 19,352,393</b>	<b>\$ 874,960</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, 2024, 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 26, 2025.

#### **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 26, 2025