

**DAVISS COUNTY WATER DISTRICT**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2022 AND 2021**

**DAVIESS COUNTY WATER DISTRICT**  
**Contents**  
**December 31, 2022 and 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Daviness County Water District

### Opinion

We have audited the accompanying financial statements of the Daviness County Water District, a component unit of the Daviness County Fiscal Court, Kentucky as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Daviness 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 Daviness County Water District, as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Daviness County Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Daviness 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.

### Auditors' 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 auditors' 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 the Daviess County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Daviess County Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report March 20, 2023, on our consideration of the Daviess 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 solely 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 the Daviess County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Daviess County Water District's internal control over financial reporting and compliance.

*Altaden & Company CPAs PSC*

Owensboro, Kentucky  
March 20, 2023

## **MANGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2022. Please read it in conjunction with the District's financial statements, which begin on page 10.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion and Analysis, the Financial Statements, and Supplementary Information.

Management's Discussion and Analysis (MD&A) serves an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The financial statements report information using accounting methods similar to those used by private sector companies. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the District and thus provides information about the nature and amount of resources and obligations at year-end.

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the business activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flow.

The Statement of Cash Flows present changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event or when an obligation arises.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The Supplementary Information includes the District's budget to actual comparison schedule.

## FINANCIAL SUMMARY

The following table summarizes the financial condition of the District as of December 31, 2022 and 2021:

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Current assets	\$ 8,094,586	\$ 7,227,141	867,445	12.00%
Restricted assets	851,415	1,065,002	(213,587)	-20.06%
Net capital assets	<u>15,848,733</u>	<u>15,474,393</u>	374,340	2.42%
Total assets	<u>\$ 24,794,734</u>	<u>\$ 23,766,536</u>	1,028,198	4.33%
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities	\$ 936,636	\$ 797,135	139,501	17.50%
Noncurrent liabilities	<u>320,071</u>	<u>311,284</u>	8,787	2.82%
Total liabilities	<u>1,256,707</u>	<u>1,108,419</u>	148,288	13.38%
<b>NET POSITION</b>				
Net investment in capital assets	15,848,733	15,474,393	374,340	2.42%
Unrestricted	<u>7,689,294</u>	<u>7,183,724</u>	505,570	7.04%
Total net position	<u>23,538,027</u>	<u>22,658,117</u>	879,910	3.88%
Total liabilities and net position	<u>\$ 24,794,734</u>	<u>\$ 23,766,536</u>	1,028,198	4.33%

The following table summarizes the revenues, expenses, and changes in net position of the District for the years ended December 31, 2022 and 2021:

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 6,690,887	\$ 6,229,262	461,625	7.41%
Operating expenses	<u>6,378,953</u>	<u>5,743,613</u>	635,340	11.06%
Income from operations	<u>311,934</u>	<u>485,649</u>	(173,715)	-35.77%
Interest income	78,373	43,958	34,415	78.29%
Unrealized losses on investments	(35,126)	-	(35,126)	N/A
Interest expense	(400)	(395)	(5)	1.27%
Gain (loss) on disposal of assets	<u>(16,557)</u>	<u>1,231</u>	(17,788)	-1445.00%
Net nonoperating expenses	<u>26,290</u>	<u>44,794</u>	(18,504)	-41.31%
Income before capital contributions	338,224	530,443	(192,219)	-36.24%
Capital contributions	<u>541,686</u>	<u>234,811</u>	306,875	130.69%
Change in net position	879,910	765,254	114,656	14.98%
Net position, beginning of year	<u>22,658,117</u>	<u>21,892,863</u>	765,254	3.50%
Net position, end of year	<u>\$ 23,538,027</u>	<u>\$ 22,658,117</u>	879,910	3.88%

## FINANCIAL HIGHLIGHTS

- In 2022, the District's net position increased by \$879,910. The increase in net position was comprised of income from operations of \$311,934 and capital contributions of \$541,686.
- In 2022, the District's operating revenues were \$6,690,887. In 2021, the District's operating revenues were \$6,229,262. Therefore, the District's operating revenues increased \$461,625 or 7.41%. An increase in water sales comprised substantially all of the increase in operating revenue. The increase in water sales is primarily attributable to an increase in customer demand and the timing of a customer rate increase that went into effect June 1, 2021. In 2022, the District's total gallons sold to customers were 1,014,281,850. In 2021, the District's total gallons sold to customers were 975,028,540. Therefore, the District's total gallons sold to customers increased 39,253,310 or 4.03%.
- In 2022, the District's operating expenses were \$6,378,953. In 2021, the District's operating expenses were \$5,743,613. Therefore, the District's operating expenses increased \$635,340 or 11.06%. The most significant increases and decreases in operating expenses during 2022 when compared to 2021 were as follows:
  - Water purchased increased \$244,886 or 7.78%
  - Employee expenses (salaries and wages, employee benefits, and payroll taxes) increased \$234,117 or 19.67%
  - Depreciation expense increased \$44,344 or 5.87%
  - Audit, accounting, and legal increased \$36,127 or 95.02%

Water purchased increased due to the timing of a rate increase in 2021 and increased customer demand during 2022.

Employee expenses increased due to employee composition. A new general manager was hired during 2022 and the previous general manager did not leave the District's employment until December 31, 2022.

Depreciation expense increased due to the District placing \$783,890 of new assets into service during 2021.

Audit, accounting, and legal expenses increased due to increased legal fees related to a rate unification for the West and Southeast operating segments, which was a condition of Public Service Commission Case No. 2020-287.



## CAPITAL ASSETS

As of December 31, 2022, the District had \$15.8 million of net capital assets. The following table summarizes the District's capital asset activity during 2022.

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	60,000	278,175	17,221	320,954
Total capital assets not depreciated:	<u>154,582</u>	<u>278,175</u>	<u>17,221</u>	<u>415,536</u>
Capital assets depreciated:				
Buildings	326,593	19,683	-	346,276
Pumping stations	1,675,033	7,500	-	1,682,533
Equipment	2,831,244	152,789	-	2,984,033
Tanks, lines, meters and hydrants	22,388,581	749,317	33,114	23,104,784
Total capital assets depreciated	<u>27,221,451</u>	<u>929,289</u>	<u>33,114</u>	<u>28,117,626</u>
Less accumulated depreciation:				
Buildings	289,507	6,231	-	295,738
Pumping stations	942,983	50,488	-	993,471
Equipment	691,819	169,244	-	861,063
Tanks, lines, meters and hydrants	9,977,331	573,382	16,556	10,534,157
Total accumulated depreciation	<u>11,901,640</u>	<u>799,345</u>	<u>16,556</u>	<u>12,684,429</u>
Total capital assets depreciated, net	<u>15,319,811</u>	<u>129,944</u>	<u>16,558</u>	<u>15,433,197</u>
Total capital assets, net	<u>\$ 15,474,393</u>	<u>\$ 408,119</u>	<u>\$ 33,779</u>	<u>\$ 15,848,733</u>

### Capital Asset Additions

Significant capital asset additions were as follows:

- Equipment – Two 2022 Ford F150s were purchased for \$88,567.
- Equipment – Meter radios were placed into service for \$38,866.
- Tanks, lines, meters, and hydrants – King Road, Saddle Bend, Locust Hill Drive, Daniels Lane, Hayden Road, Aspen Boulevard, Pebblewood, and the Preserve waterlines were placed into service for \$219,332.
- Tanks, lines, meters, and hydrants – Meter and meter installations were placed into service for \$373,251.
- Tanks, lines, meters, and hydrants - King Road, Saddle Bend, Locust Hill Drive, Daniels Lane, Hayden Road, Aspen Boulevard, Pebblewood, and the Preserve hydrants were placed into service for \$94,500.

## **CAPITAL ASSETS (continued)**

### Construction in Progress

#### *Highway 54 Waterline Relocation Project*

At December 31, 2022, the District had incurred \$249,701 in construction in progress for a project to relocate waterlines on Highway 54 by the Kentucky Department of Transportation. The project is expected to have a total estimated cost of \$2,531,130 at completion. While the Kentucky Department of Transportation is responsible for substantially all commitments, the District is responsible for betterment costs of \$516,525. At December 31, 2022, the District had a remaining commitment for the project of \$266,824. The remaining commitment is expected to be funded by a grant.

#### *Carter Road Pump Station Upgrade Project*

At December 31, 2022, the District had incurred \$3,996 in construction in progress for a project to upgrade a pump station located at Carter Road. The project is expected to have a total estimated cost of \$137,496 at completion. At December 31, 2022, the District had a remaining commitment for the project of \$133,500. The remaining commitment is expected to be funded by a grant. The District was awarded a grant of \$165,000 under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund.

#### *Reid Road Pump Upgrade Project*

At December 31, 2022, the District had incurred \$2,670 in construction in progress for a project to upgrade a pump station located at Reid Road. The project is expected to have a total estimated cost of \$145,145 at completion. At December 31, 2022, the District had a remaining commitment for the project of \$142,475. The remaining commitment is expected to be funded by a grant. The District was awarded a grant of \$165,000 under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund.

#### *Wing Avenue Waterline Relocation Project*

At December 31, 2022, the District had incurred \$5,129 in construction in progress for a project to upgrade a waterline located at Wing Avenue. The project is expected to have a total estimated cost of \$1,661,500 at completion. At December 31, 2022, the District had a remaining commitment for the project of \$1,656,371. The remaining commitment is expected to be funded by grants. The District was awarded grants of \$1,310,000 and \$351,500 under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund.

## **OUTLOOK**

### **General Manager**

With the retirement of William G. Higdon on December 31, 2022, the Water District begins 2023 with Brent Wigginton taking sole custody of the General Manager position. Mr. Wigginton was hired on March 1, 2022 and served as a co-manager with Mr. Higdon during 2022.

### **Rate Unification**

The Water District submitted a rate unification application to the Public Service Commission as a condition of Case No. 2020-287 which effectively merged the Southeast Daviess County Water District with the West Daviess County Water District on January 1, 2021. A decision on the rate unification case was expected in late 2022, but did not materialize. The Water District awaits the declaration from the Public Service Commission which will incorporate a system-wide list of water rates and customer charges eliminating the two sets of water rates and customer charges that are currently utilized for each respective Water District division. The rate unification application proposed to increase annual revenues

**Rate Unification (continued)**

by 8.77%. Operating expenses are mainly expected to stabilize. Expenses such as salary and wage expense, employee benefits, and payroll taxes are expected to decrease with the retirement of the previous General Manager.

**ARPA Funds / Projects**

In 2021, the Water District was awarded to receive funds administered by the Kentucky Infrastructure Authority for certain projects as provided by the American Rescue Plan Act of 2021. In addition, the Water District was awarded additional grants in 2022 to supplement the increased estimated cost of certain projects as part of a second round of SB 36. The following projects and total allocation amounts are listed below:

Highway 54 Widening Betterment	\$ 550,000
Highway 54 Line Replacement	\$ 1,661,500
Carter Road Pump Station Upgrade	\$ 165,000
Reid Road Pump Station Upgrade	\$ 165,000
Master Meter Program for Leak Detection	\$ 200,000
Wing Avenue and Parrish Avenue Pump Station Upgrade	\$ 440,000

**DAVIESS COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

	2022	2021
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 727,914	\$ 755,834
Accounts receivable	832,883	815,796
Other receivable	135,212	4,514
Investments	5,716,065	5,253,250
Interest receivable	30,116	933
Prepaid insurance	26,078	22,657
Inventory	626,318	374,157
<b>TOTAL CURRENT ASSETS</b>	<b>8,094,586</b>	<b>7,227,141</b>
<b>RESTRICTED ASSETS</b>		
Cash - Meter Setting Fund	31,694	232,052
Cash - Medical Reimbursement Fund	110,990	136,118
Investments - customer deposits	320,071	311,284
Investments - medical reimbursement	387,878	385,417
Interest receivable	782	131
<b>TOTAL RESTRICTED ASSETS</b>	<b>851,415</b>	<b>1,065,002</b>
<b>CAPITAL ASSETS</b>		
Land	94,582	94,582
Water plant	28,117,626	27,221,451
Construction in progress	320,954	60,000
	28,533,162	27,376,033
Less accumulated depreciation	(12,684,429)	(11,901,640)
<b>NET CAPITAL ASSETS</b>	<b>15,848,733</b>	<b>15,474,393</b>
<b>TOTAL ASSETS</b>	<b>\$ 24,794,734</b>	<b>\$ 23,766,536</b>

See accompanying notes.

**DAVISS COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

	2022	2021
<b>Liabilities and Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 789,112	\$ 668,499
Accrued pension	47,140	43,197
Accrued school and sales taxes	17,544	16,841
Payroll taxes and withholding	24,494	16,246
Accrued payroll	37,043	23,103
Current liabilities payable from restricted assets:		
Accounts payable	21,303	29,249
<b>TOTAL CURRENT LIABILITIES</b>	<b>936,636</b>	<b>797,135</b>
<b>NONCURRENT LIABILITIES</b>		
Customer deposits payable from restricted assets	320,071	311,284
<b>TOTAL LIABILITIES</b>	<b>1,256,707</b>	<b>1,108,419</b>
<b>NET POSITION</b>		
Net investment in capital assets	15,848,733	15,474,393
Unrestricted	7,689,294	7,183,724
<b>TOTAL NET POSITION</b>	<b>23,538,027</b>	<b>22,658,117</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 24,794,734</b>	<b>\$ 23,766,536</b>

See accompanying notes.

**DAVISS COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
<b>OPERATING REVENUES</b>		
Water sales	\$ 6,253,346	\$ 5,767,800
Tap on fees	242,222	288,118
Miscellaneous service revenues	195,319	173,344
<b>TOTAL OPERATING REVENUES</b>	<b>6,690,887</b>	<b>6,229,262</b>
<b>OPERATING EXPENSES</b>		
Advertising	6,038	4,390
Audit, accounting, and legal	74,149	38,022
Bad debts	6,369	6,870
Depreciation	799,345	755,001
Education and seminars	5,737	945
Employee benefits	418,991	362,229
Insurance	47,656	45,800
Materials, supplies, and repairs	196,852	178,083
Miscellaneous	15,726	12,588
Office supplies and expense	151,026	134,754
Payroll taxes	74,088	60,869
Phone and communication	16,858	16,161
PSC assessment	8,870	5,471
Rent of real estate	12,765	11,692
Salaries and wages	931,320	767,184
Transportation	70,415	55,652
Uniforms	9,823	7,354
Utilities	121,734	113,592
Water purchased	3,394,437	3,149,551
Water tests and meter service	16,754	17,405
<b>TOTAL OPERATING EXPENSES</b>	<b>6,378,953</b>	<b>5,743,613</b>
<b>INCOME FROM OPERATIONS</b>	<b>311,934</b>	<b>485,649</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	78,373	43,958
Unrealized losses on investments	(35,126)	-
Interest expense	(400)	(395)
Gain (loss) on disposal of assets	(16,557)	1,231
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>26,290</b>	<b>44,794</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>338,224</b>	<b>530,443</b>

See accompanying notes.

**DAVISS COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
<b>CONTRIBUTED CAPITAL REVENUE</b>	<b>\$ 541,686</b>	<b>\$ 234,811</b>
<b>CHANGE IN NET POSITION</b>	879,910	765,254
<b>NET POSITION, BEGINNING OF YEAR</b>	22,658,117	21,892,863
<b>NET POSITION, END OF YEAR</b>	\$ 23,538,027	\$ 22,658,117

See accompanying notes.

**DAVIESS COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 6,551,889	\$ 6,233,223
Cash payments to employees for services	(1,324,180)	(1,127,077)
Cash payments for goods and services	(4,371,509)	(3,862,409)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>856,200</b>	<b>1,243,737</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(739,310)	(610,614)
Proceeds from disposals	-	15,000
Interest paid	(400)	(395)
Capital contributions	90,754	55,477
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(648,956)</b>	<b>(540,532)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in investments - net	(509,189)	(544,281)
Interest on investments	48,539	46,285
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(460,650)</b>	<b>(497,996)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(253,406)</b>	<b>205,209</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,124,004</b>	<b>918,795</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 870,598</b>	<b>\$ 1,124,004</b>

See accompanying notes.



**DAVISS COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income from operations	\$ 311,934	\$ 485,649
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	799,345	755,001
(Increase) decrease in:		
Accounts receivable	(17,087)	(38,893)
Other receivable	(130,698)	19,994
Prepaid insurance	(3,421)	(16,026)
Inventory	(252,161)	(20,339)
Increase (decrease) in:		
Accounts payable	112,667	30,793
Accrued pension	3,943	1,353
Accrued school and sales tax	703	2,362
Accrued payroll	13,940	39
Payroll taxes and withholding	8,248	944
Customer deposits	8,787	22,860
Total adjustments	544,266	758,088
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 856,200</b>	<b>\$ 1,243,737</b>

See accompanying notes.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

The Daviess County Water District (District) was the surviving entity from a merger of the Southeast Daviess County Water District and the West Daviess County Water Districts effective January 1, 2021. The Daviess County Water District is a component unit of the Daviess County Fiscal Court, Kentucky and, therefore, is part of the financial reporting entity of the Daviess County Fiscal Court. The District is a water utility which operates in the rural section of Southeast and West Daviess County, Kentucky, and its sales are primarily to residential customers.

Proprietary Fund

The District is classified as a proprietary fund type. Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are the determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary funds' activities are included on its statement of net position.

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Government Accounting Standards Board (GASB) pronouncements.

The accrual basis of accounting is used for proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

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

Regulation

The District's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the Commonwealth of Kentucky, Public Service Commission. The District's accounting policies recognize the financial effects of the rate making and accounting practices and policies of the Public Service Commission.

Management Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash Flows Information

For the purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Noncash financing activities for 2022 and 2021, representing water lines donated to the District were \$326,216 and \$179,334.

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts Receivable

The District follows a monthly billing cycle. When meter reading is delayed, estimated bills are rendered based on the average of the three previous bills in order to promote consistency of water revenue. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If an account becomes more than sixty days overdue, it's charged to operations using the direct write-off method.

Inventory

Inventory consists of materials and supplies and is stated at lower of cost (determined on the first-in, first-out basis) or net realizable value.

Water Plant

Water plant is stated at original cost (cost of the property to whoever first devoted it to public service). The cost of labor for additions to the water plant constructed by the District's employees is not capitalized.

Capital Assets

Utility plant assets are stated at cost. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized. Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$799,345 and \$755,001 for 2022 and 2021. Estimated useful lives of major class of the water plant in service are as follows:

Land improvements	10-25
Buildings	10-40
Building Improvements	10-40
Machinery and Equipment	5-20
Infrastructure	10-75
Pump Stations / Tanks	35-40
Water Lines	50-75
Meter Installations	40-50
Meters	15-20
Hydrants	40-60

Operating Revenue

Operating revenue is recognized upon completion of monthly meter readings. At the end of each month, water service which has been rendered from the latest meter reading to the end of the month is unbilled.

Nonoperating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE B – DEPOSITS AND INVESTMENTS**

Authorized Investments

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United State government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. Informally, the District only allows investment choices that are in compliance with the state statues. The District has not formally adopted deposit and investment policies that limit allowable deposits or investments.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy for credit risk. The District places no limit on the amount the District may invest in any one issuer. However, management is not aware of any credit risks. Investments are certificates of deposits and brokerage certificate of deposits and all amounts are either FDIC insured or collateralized by pledged securities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a custodian failure, the District's deposits or investments may not be returned to it. The District does not have a formal investment policy for custodial credit risk. As of December 31, 2022 and 2021, the amount of insured and uninsured deposits not covered by federal deposit insurance or collateralized by securities was as follows:

	2022	2021
Bank balances	\$ 2,653,120	\$ 7,073,271
Amount held at brokers	4,721,026	-
FDIC insured	(4,971,026)	(250,000)
Collateralized by pledged securities	(2,403,120)	(6,823,271)
Uninsured and not covered by collateral	-	-
Total custodial credit risk	\$ -	\$ -

Interest Rate Risk

To limit exposure to fair value losses resulting from an increase in interest rates, the District manages term to maturity for its investments.

Cash is shown on the Statement of Net Position as follows:

	2022	2021
Cash	\$ 727,914	\$ 755,834
Restricted Cash:		
Cash - Meter Setting Fund	31,694	232,052
Cash - Medical Reimbursement Fund	110,990	136,118
	\$ 870,598	\$ 1,124,004

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE B – DEPOSITS AND INVESTMENTS (continued)**

Investments are shown on the Statement of Net Position as follows:

	2022	2021
Investments	\$ 5,716,065	\$ 5,253,250
Restricted Investments:		
Investments - customer deposits	320,071	311,284
Investments - medical reimbursements	387,878	385,417
	\$ 6,424,014	\$ 5,949,951

As of December 31, 2022 and 2021, the District had the following investments:

<u>Investments:</u>	2022		2021	
	Cost	Carrying Value	Cost	Carrying Value
Cash held at brokers	\$ 26	\$ 26	\$ -	\$ -
Brokerage CDs	4,721,012	4,685,874	-	-
CDs held at local financial institutions	1,738,114	1,738,114	5,949,951	5,949,951
Total Investments	\$ 6,459,152	\$ 6,424,014	\$ 5,949,951	\$ 5,949,951

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The inputs or methodology used for valuing securities are not an indication of risk associated with those securities.

The District had the following recurring fair value measurements as of December 31, 2022 (there were no recurring fair value measurements as of December 31, 2021):

<u>Recurring fair value measurements:</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
		<u>Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<i>December 31, 2022</i>				
Investments:				
Brokerage CDs	\$ 4,685,874	\$ -	\$ 4,685,874	\$ -
Total Assets	\$ 4,685,874	\$ -	\$ 4,685,874	\$ -

Certificates of deposits classified in Level 2 are valued using consensus pricing. Investments in nonparticipating interest-earning investment contracts, money market funds, and certificates of deposit having a maturity of one year or less from the fiscal year end are not subject to GASB Statement No. 72.

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the years ended December 31, 2022 and 2021 was as follows:

	Balance Dec. 31 2021	Additions	Deletions	Balance Dec. 31, 2022
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	60,000	278,175	17,221	320,954
Total capital assets not depreciated:	<u>154,582</u>	<u>278,175</u>	<u>17,221</u>	<u>415,536</u>
Capital assets depreciated:				
Buildings	326,593	19,683	-	346,276
Pumping stations	1,675,033	7,500	-	1,682,533
Equipment	2,831,244	152,789	-	2,984,033
Tanks, lines, meters and hydrants	22,388,581	749,317	33,114	23,104,784
Total capital assets depreciated	<u>27,221,451</u>	<u>929,289</u>	<u>33,114</u>	<u>28,117,626</u>
Less accumulated depreciation:				
Buildings	289,507	6,231	-	295,738
Pumping stations	942,983	50,488	-	993,471
Equipment	691,819	169,244	-	861,063
Tanks, lines, meters and hydrants	9,977,331	573,382	16,556	10,534,157
Total accumulated depreciation	<u>11,901,640</u>	<u>799,345</u>	<u>16,556</u>	<u>12,684,429</u>
Total capital assets depreciated, net	<u>15,319,811</u>	<u>129,944</u>	<u>16,558</u>	<u>15,433,197</u>
Total capital assets, net	<u>\$ 15,474,393</u>	<u>\$ 408,119</u>	<u>\$ 33,779</u>	<u>\$ 15,848,733</u>

Construction in Progress

*Highway 54 Waterline Relocation Project*

At December 31, 2022, the District had incurred \$249,701 in construction in progress for a project to relocate waterlines on Highway 54 by the Kentucky Department of Transportation. The project is expected to have a total estimated cost of \$2,531,130 at completion. While the Kentucky Department of Transportation is responsible for substantially all commitments, the District is responsible for betterment costs of \$516,525. At December 31, 2022, the District had a remaining commitment for the project of \$266,824. The remaining commitment is expected to be funded by a grant.

*Carter Road Pump Station Upgrade Project*

At December 31, 2022, the District had incurred \$3,996 in construction in progress for a project to upgrade a pump station located at Carter Road. The project is expected to have a total estimated cost of \$137,496 at completion. At December 31, 2022, the District had a remaining commitment for the project of \$133,500. The remaining commitment is expected to be funded by a grant. The District was awarded a grant of \$165,000 under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE C – CAPITAL ASSETS (continued)**

*Reid Road Pump Upgrade Project*

At December 31, 2022, the District had incurred \$2,670 in construction in progress for a project to upgrade a pump station located at Reid Road. The project is expected to have a total estimated cost of \$145,145 at completion. At December 31, 2022, the District had a remaining commitment for the project of \$142,475. The remaining commitment is expected to be funded by a grant. The District was awarded a grant of \$165,000 under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund.

*Wing Avenue Waterline Relocation Project*

At December 31, 2022, the District had incurred \$5,129 in construction in progress for a project to upgrade a waterline located at Wing Avenue. The project is expected to have a total estimated cost of \$1,661,500 at completion. At December 31, 2022, the District had a remaining commitment for the project of \$1,656,371. The remaining commitment is expected to be funded by grants. The District was awarded grants of \$1,310,000 and \$351,500 under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund.

	Balance Dec. 31 2020	Additions	Deletions	Balance Dec. 31, 2021
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	53,945	52,463	46,408	60,000
Total capital assets not depreciated:	<u>148,527</u>	<u>52,463</u>	<u>46,408</u>	<u>154,582</u>
Capital assets depreciated:				
Buildings	326,593	-	-	326,593
Pumping stations	1,651,961	23,072	-	1,675,033
Equipment	2,702,687	206,009	77,452	2,831,244
Tanks, lines, meters and hydrants	21,862,759	554,809	28,987	22,388,581
Total capital assets depreciated	<u>26,544,000</u>	<u>783,890</u>	<u>106,439</u>	<u>27,221,451</u>
Less accumulated depreciation:				
Buildings	283,686	5,821	-	289,507
Pumping stations	891,999	50,984	-	942,983
Equipment	625,456	143,816	77,453	691,819
Tanks, lines, meters and hydrants	9,438,170	554,380	15,219	9,977,331
Total accumulated depreciation	<u>11,239,311</u>	<u>755,001</u>	<u>92,672</u>	<u>11,901,640</u>
Total capital assets depreciated, net	<u>15,304,689</u>	<u>28,889</u>	<u>13,767</u>	<u>15,319,811</u>
Total capital assets, net	<u>\$ 15,453,216</u>	<u>\$ 81,352</u>	<u>\$ 60,175</u>	<u>\$ 15,474,393</u>

Construction in Progress

*Hwy 54 Waterline Relocation Project*

At December 31, 2021, the District had \$60,000 in construction in progress derived from design engineering associated with the waterline relocation on Highway 54 planned by the Kentucky Department of Transportation. The project is expected to have total cost of \$1,137,700, with the District responsible for betterment costs of \$423,301. At December 31, 2021, the District has a remaining commitment for the project of \$363,301. As of December 31, 2021, the Kentucky Department of Transportation did not have an expected start date for the project.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE D – RETIREMENT PLANS**

The District has a money-purchase retirement plan (Plan) covering all full-time employees that is a Defined Contribution plan. The fair value of investments is determined by the quoted market prices for each investment at the close of the market. The District makes a contribution equal to eleven percent of the employee’s earned annual base salary. Employees become eligible after reaching the age of twenty and a half and after six months of full time employment. Employees become fully vested after five years of service from enrollment date. Employer contributions to the Plan for 2022 and 2021 was \$90,424 and \$83,947. Accrued pension expense for the Plan as of December 31, 2022 and 2021 was \$47,140 and \$43,197. Pentegra Services, Inc. is the administrator of the funds. Mass Mutual Financial Group is the custodian of the funds.

During 2022 and 2021, there were no forfeitures under this plan.

In addition to the Plan, the District’s employees are also eligible to participate in a deferred compensation plan. The plan is organized as a Section 457(b) plan under the Internal Revenue Code. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, age sixty-two if still working or financial hardship. The District’s policy is to match the employee’s contribution up to three percent of the employee’s gross salary.

Employer contribution to the deferred compensation plan for 2022 and 2021 was \$28,247 and \$18,442. Pentegra Services, Inc. is the administrator of this retirement plan. Mass Mutual Financial Group is the custodian of the fund.

**NOTE E – RESTRICTED ASSETS**

Cash and investments held for the purpose of medical reimbursement and meter setting deposits are classified as restricted funds and liabilities to be paid by the District are classified as liabilities payable from restricted funds.

**NOTE F – RWRA ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE**

The District bills and performs collections for sewer charges on behalf of the Regional Water Resource Agency (RWRA), a regional provider of comprehensive wastewater services for Daviess County, Kentucky. Accounts receivable and accounts payable related to RWRA as December 31, 2022 and 2021 was as follows:

	2022	2021
Accounts receivable - RWRA	\$ 393,583	\$ 375,608
Accounts receivable - District	439,300	440,188
Total accounts receivable	\$ 832,883	\$ 815,796
Accounts payable - RWRA	\$ 360,083	\$ 367,027
Accounts payable - District	429,029	301,472
Total accounts payable	\$ 789,112	\$ 668,499

**NOTE G – CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions in aid of construction represent additions to the water plant through extensions of the water distribution system. These additions are funded (or donated) by individual users, independent contractors or governmental agencies. Contributions to the water distribution system amounted to \$541,686 and \$234,811 for 2022 and 2021.



**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE H – INCOME TAX STATUS**

The District is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made.

**NOTE I – SUPPLIER**

The District purchases most of its water for resale from the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU). The purchases from OMU for 2022 and 2021 were \$3,366,462 and \$3,131,708. Amounts payable to OMU at year-end for 2022 and 2021 were \$164,981 and \$251,791.

**NOTE J – COMPENSATED ABSENCES**

Employees are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The District does not accrue compensation for paid vacation because the amount is considered immaterial. The District's policy is to record compensated absences when actually paid to employees.

**NOTE K – NET POSITION**

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets; restricted and unrestricted net assets. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net assets not included in the above categories. The following was included in restricted net position as of December 31, 2022 and 2021:

	2022	2021
Investments - Customer Deposits	\$ 320,071	\$ 311,284
Less: Restricted Liabilities	(320,071)	(311,284)
Restricted Net Position	\$ -	\$ -

**NOTE L – COMMITMENTS AND CONTINGENCIES**

Medical Expense Reimbursement Plan

The District provides a medical reimbursement plan (MERP) to its employees. The plan reimburses employees for medical and hospital expenses incurred by themselves and their dependents from December 1 to November 30 in any calendar year, but not to exceed \$3,000 for single employee or \$6,000 for family plan (or current health plan's out-of-pocket maximum less \$1,000 for single plan and \$2,000 for family plan) per plan year. The reimbursements exclude insurable and eligible medical and hospital expenses available to employees under the District's group insured health plan. This plan also excludes employee dental expenses and expenses for prescription and non-prescription drugs. The District has established a reserve consisting of cash and cash equivalents to cover future medical reimbursements which as of December 31, 2022 and 2021, totaled \$387,878 and \$385,417. For the years ended December 31, 2022 and 2021, medical reimbursements paid to employees were \$25,438 and \$26,339. There were no significant outstanding medical reimbursements to employees as December 31, 2022 and 2021.

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE L – COMMITMENTS AND CONTINGENCIES (continued)**

Water Purchases

The District purchases water monthly from Owensboro Municipal Utilities. The amount OMU charges the District for water purchases is based on an estimated rate. The supplier will retroactively compare the actual cost and estimated costs charged to the District and the difference (either the amount overpaid or underpaid) is communicated to the District. The District has the option to request a rate change or otherwise the rate remains unchanged. As of May 31, 2022 and 2021, the total amount underpaid by the District was \$85,874 and \$375,739. The District has not recognized a contingency on their records since this amount cannot be reasonably estimated as of December 31, 2022 and 2021.

**NOTE M - MERGER**

Effective January 1, 2021 the Southeast Daviess County Water District and West Daviess County Water District merged to form the Daviess County Water District. The primary reason for the merger was for the interest of the general public and increased operational efficiencies. The initial opening balances of the District's assets, liabilities, and net position, as of the beginning of the period were determined based on the carrying values reported in the separate financial statements of Southeast and West Water Districts as of December 31, 2020. The Southeast Daviess County Water District and West Daviess County Water District entered into a merger agreement on August 18, 2020. The Daviess County Fiscal Court approved the combining of the Districts' territories on December 3, 2020 (Executive Order 08-2020). The Public Service Commission approved the merger December 15, 2020 (Case No. 2020-287). As of January 1, 2021, the impact of the merger was as follows:

**DAVISS COUNTY WATER DISTRICT**  
**Combined Statements of Net Position**  
**January 1, 2021**

	Southeast Water District	West Water District	Daviess County Water District
<b>ASSETS</b>			
Current assets	\$ 3,603,924	\$ 2,868,272	\$ 6,472,196
Restricted assets	547,881	469,639	1,017,520
Net capital assets	<u>8,361,641</u>	<u>7,091,574</u>	<u>15,453,215</u>
 Total assets	 <u>\$ 12,513,446</u>	 <u>\$ 10,429,485</u>	 <u>\$ 22,942,931</u>
 <b>LIABILITIES AND NET ASSETS</b>			
Current liabilities	\$ 504,824	\$ 256,820	\$ 761,644
Noncurrent liabilities	<u>173,584</u>	<u>114,840</u>	<u>288,424</u>
 Total liabilities	 <u>678,408</u>	 <u>371,660</u>	 <u>1,050,068</u>
 <b>NET POSITION</b>			
Net investment in capital assets	8,361,641	7,091,574	15,453,215
Unrestricted	<u>3,473,397</u>	<u>2,966,251</u>	<u>6,439,648</u>
 Total net position	 <u>11,835,038</u>	 <u>10,057,825</u>	 <u>21,892,863</u>
 Total liabilities and net position	 <u>\$ 12,513,446</u>	 <u>\$ 10,429,485</u>	 <u>\$ 22,942,931</u>

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

**NOTE M – MERGER (continued)**

Prior to merging, the Southeast Daviess County Water District and West Daviess County Water District used the same accounting policies and the same management team for operations. Therefore, there were no significant adjustments to bring accounting policies into conformity or adjustments for the impairment of capital assets as a result of the merger.

**NOTE N – SUBSEQUENT EVENTS**

The District did not have any subsequent events through March 20, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2022.

**SUPPLEMENTARY INFORMATION**

**DAVISS COUNTY WATER DISTRICT**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES</b>	<u>\$ 6,662,800</u>	<u>\$ 6,662,800</u>	<u>\$ 6,690,887</u>	<u>\$ 28,087</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance expense	5,551,800	5,551,800	5,570,738	(18,938)
Depreciation expense	800,000	800,000	799,345	655
Taxes other than income	13,000	13,000	8,870	4,130
<b>TOTAL OPERATING EXPENSES</b>	<u>6,364,800</u>	<u>6,364,800</u>	<u>6,378,953</u>	<u>(14,153)</u>
<b>INCOME FROM OPERATIONS</b>	<u>298,000</u>	<u>298,000</u>	<u>311,934</u>	<u>13,934</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	30,000	30,000	78,373	48,373
Unrealized losses on investments	-	-	(35,126)	(35,126)
Interest expense	(400)	(400)	(400)	-
Loss on disposal of assets	-	-	(16,557)	(16,557)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>29,600</u>	<u>29,600</u>	<u>26,290</u>	<u>(3,310)</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	327,600	327,600	338,224	10,624
<b>CONTRIBUTED CAPITAL REVENUE</b>	<u>130,000</u>	<u>130,000</u>	<u>541,686</u>	<u>411,686</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 457,600</u>	<u>\$ 457,600</u>	<u>\$ 879,910</u>	<u>\$ 422,310</u>



## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Daviness County Water District

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 Daviness County Water District, a component unit of the Daviness County Fiscal Court, Kentucky, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Daviness County Water District's basic financial statements, and have issued our report thereon dated March 20, 2023.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

As part of obtaining reasonable assurance about whether Daviness County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Altaden & Company CPAs PSC*

Owensboro, Kentucky  
March 20, 2023

**DAVISS COUNTY WATER DISTRICT  
Schedule of Findings and Responses  
Year Ended December 31, 2022**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE