

**DAVISS COUNTY WATER DISTRICT**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2023 AND 2022**

**DAVIESS COUNTY WATER DISTRICT**  
**Contents**  
**December 31, 2023 and 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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 is 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 May 13, 2024, 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  
May 13, 2024



## **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, 2023. 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, 2023 and 2022:

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Current assets	\$ 9,189,048	\$ 8,094,586	1,094,462	13.52%
Restricted assets	928,745	851,415	77,330	9.08%
Net capital assets	<u>16,414,285</u>	<u>15,848,733</u>	565,552	3.57%
Total assets	<u>\$ 26,532,078</u>	<u>\$ 24,794,734</u>	1,737,344	7.01%
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities	\$ 894,133	\$ 936,636	(42,503)	-4.54%
Noncurrent liabilities	<u>333,795</u>	<u>320,071</u>	13,724	4.29%
Total liabilities	<u>1,227,928</u>	<u>1,256,707</u>	(28,779)	-2.29%
<b>NET POSITION</b>				
Net investment in capital assets	16,414,285	15,848,733	565,552	3.57%
Unrestricted	<u>8,889,865</u>	<u>7,689,294</u>	1,200,571	15.61%
Total net position	<u>25,304,150</u>	<u>23,538,027</u>	1,766,123	7.50%
Total liabilities and net position	<u>\$ 26,532,078</u>	<u>\$ 24,794,734</u>	1,737,344	7.01%

The following table summarizes the revenues, expenses, and changes in net position of the District for the years ended December 31, 2023 and 2022:

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 7,159,319	\$ 6,690,887	468,432	7.00%
Operating expenses	<u>6,545,727</u>	<u>6,378,953</u>	166,774	2.61%
Income from operations	<u>613,592</u>	<u>311,934</u>	301,658	96.71%
Interest income	322,483	78,373	244,110	311.47%
Unrealized losses on investments	(10,952)	(35,126)	24,174	N/A
Interest expense	(14,964)	(400)	(14,564)	3641.00%
Loss on disposal of capital assets	<u>(9,784)</u>	<u>(16,557)</u>	6,773	-40.91%
Net nonoperating expenses	<u>286,783</u>	<u>26,290</u>	260,493	990.84%
Income before capital contributions	900,375	338,224	562,151	166.21%
Capital contributions	<u>865,748</u>	<u>541,686</u>	324,062	59.82%
Change in net position	1,766,123	879,910	886,213	100.72%
Net position, beginning of year	<u>23,538,027</u>	<u>22,658,117</u>	879,910	3.88%
Net position, end of year	<u>\$ 25,304,150</u>	<u>\$ 23,538,027</u>	1,766,123	7.50%

## FINANCIAL HIGHLIGHTS

- In 2023, the District's net position increased by \$1,766,123. The increase in net position was comprised of income from operations of \$613,592 and capital contributions of \$865,748.
- In 2023, the District's operating revenues were \$7,159,319. In 2022, the District's operating revenues were \$6,690,887. Therefore, the District's operating revenues increased \$468,432 or 7%. An increase in water sales comprised substantially all of the increase in operating revenue. The increase in water sales is primarily attributable to a customer rate increase that went into effect February 10, 2023. In 2023, the District's total gallons sold to customers were 1,005,420,920. In 2022, the District's total gallons sold to customers were 1,014,281,850. Therefore, the District's total gallons sold to customers decreased 8,860,930 or 0.87%.
- In 2023, the District's operating expenses were \$6,545,727. In 2022, the District's operating expenses were \$6,378,953. Therefore, the District's operating expenses increased \$166,774 or 2.61%. The most significant increases and decreases in operating expenses during 2023 when compared to 2022 were as follows:
  - Audit, accounting, and legal expenses decreased \$53,521 or 72.18%
  - Contract services increased \$131,319 (none reported in 2022).
  - Depreciation expense increased \$47,026 or 5.88%
  - Materials, supplies, and repairs increased \$64,900 or 33%.
  - Salaries and wages decreased \$54,512 or 5.85%.

Audit, accounting, and legal expenses decreased because 2022 included non-recurring legal fees related to a rate unification for the West and Southeast operating divisions, which was a condition of Public Service Commission Case No. 2020-287.

Contract services increased due to the engagement of a contractor to perform an acoustic leak detection service for the entire water system (\$112,500), the engagement of a consultant to perform a review of the District's compensation system and organizational structure (\$9,569), and the engagement of the Kentucky Rural Water Association to provide consulting on the unified rate application (\$9,250).

Depreciation expense increased due to new capital asset additions, which added \$28,340 of additional depreciation expense. The remaining increase is related to 2022 capital asset additions, which were in service for a full period.

Materials, supplies, and repairs increased due to non-recurring expenses. \$17,500 was incurred for the painting of 3 maintenance buildings, with the remaining increase consisting of a line replacement and leak repairs identified by the acoustic leak detection service.

Salaries and wages decreased due to one general manager being employed during 2023. In 2022, the District's personnel included two general managers as the District transitioned to a new general manager with the retirement of the previous general manager.



## CAPITAL ASSETS

As of December 31, 2023, the District had \$16.4 million of net capital assets. The following table summarizes the District's capital asset activity during 2023.

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	320,954	557,850	567,298	311,506
Total capital assets not depreciated:	<u>415,536</u>	<u>557,850</u>	<u>567,298</u>	<u>406,088</u>
Capital assets depreciated:				
Buildings	346,276	59,338	-	405,614
Pumping stations	1,682,533	282,641	-	1,965,174
Equipment	2,984,033	81,890	40,876	3,025,047
Tanks, lines, meters and hydrants	23,104,784	1,016,720	38,436	24,083,068
Total capital assets depreciated	<u>28,117,626</u>	<u>1,440,589</u>	<u>79,312</u>	<u>29,478,903</u>
Less accumulated depreciation:				
Buildings	295,738	9,314	-	305,052
Pumping stations	993,471	51,925	-	1,045,396
Equipment	861,063	186,453	40,876	1,006,640
Tanks, lines, meters and hydrants	10,534,157	598,679	19,218	11,113,618
Total accumulated depreciation	<u>12,684,429</u>	<u>846,371</u>	<u>60,094</u>	<u>13,470,706</u>
Total capital assets depreciated, net	<u>15,433,197</u>	<u>594,218</u>	<u>19,218</u>	<u>16,008,197</u>
Total capital assets, net	<u>\$ 15,848,733</u>	<u>\$ 1,152,068</u>	<u>\$ 586,516</u>	<u>\$ 16,414,285</u>

Significant capital asset additions were as follows:

- Buildings – A new maintenance building was placed into service for \$55,826.
- Pumping stations:
  - The Carter Road pump station pump replacement was placed in service for \$137,496.
  - The Reid Road pump station pump replacement was placed in service for \$145,145.
- Equipment:
  - A 2023 Ford F150 4x4 was placed into service for \$48,450.
  - Meter radios were placed into service for \$26,012.
- Tanks, lines, meters, and hydrants:
  - A tank mixer was placed into service for \$45,600.
  - Lines placed into service were \$576,813, (includes subdivision additions of \$292,224).
  - Meter installation charges and meters placed into service were \$254,807.

## **CAPITAL ASSETS (continued)**

– Hydrants placed into service were \$139,500 (includes subdivision additions of \$139,500).

### Construction in Progress

#### *Highway 54 Waterline Relocation Project*

At December 31, 2023, the District had incurred \$258,131 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 \$549,925. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$291,794 for its share of the betterment costs. The District was awarded grants of \$275,000 (#21CWW044) and \$275,000 (#22CWW135) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

#### *Master Meter Installation Project*

At December 31, 2023, the District had incurred \$29,680 in construction in progress for its master meter installation project. The project is expected to have a total estimated cost of \$200,000 at completion. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$170,320. The District was awarded a grant of \$200,000 (#21CWW046) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs to fund project costs.

#### *Wing Avenue Waterline Relocation Project*

At December 31, 2023, the District had incurred \$7,177 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 \$2,900,000 at completion. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$2,892,823. A portion of the commitment is expected to be funded by grants. The District was awarded grants of \$1,310,000 (#21CWW045) and \$351,500 (#22CWW136) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs. The District is currently seeking additional funding sources to fund project costs before bidding and awarding the project to a contractor.

#### *Parrish Avenue and Wing Avenue Pump Station Upgrade Project*

At December 31, 2023, the District had incurred \$5,678 in construction in progress for a project to upgrade a pump station located at Parrish Avenue and Wing Avenue. The project is expected to have a total estimated cost of \$440,000 at completion. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$434,322. The District was awarded a grant of \$440,000 (#22CWW141) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

## **OUTLOOK**

### **Master Meter Program**

The Water District has begun the process of installing master meters to divide the West division into twelve geographic zones for leak detection purposes. The master meters will report gallons going into and out of the zone with the data being compared to the usage of the customers within that zone. One specific zone was selected as a pilot zone to test the project to see whether the insertion meters would return accurate information. At present, the pilot zone is operating as expected. A few additional zones will be selected in 2024 to test and gain further confidence in the project as the District moves toward full deployment.

### **Strategic Planning**

The District has enlisted the services of a strategic planning company who will develop a strategic plan for the future of the District with respect to infrastructure / capital investments, workforce / organizational development, customer service, and fiscal responsibility. Through a process where concepts such as the District's perceived values/beliefs, internal and external assumptions, strengths, weaknesses, opportunities, and threats are identified and considered, the strategic plan's purpose is to guide the District in future endeavors.

### **Hydraulic Study**

The District will procure bids for engineering firms to perform a hydraulic survey of the District's lines and tank operations and capacities. The study will allow the District to identify adequate tank storage, pressure zone consideration, adequate pumping capacities, and recommend waterline replacements for aging or insufficient water lines.

### **ARPA Funds / Projects**

The Water District has applied to receive funds administered by the Kentucky Infrastructure Authority for certain projects as provided by the American Rescue Plan Act of 2021. The following projects and allocation amounts are listed below:

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

**DAVIESS COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 620,485	\$ 727,914
Accounts receivable	909,825	832,883
Other receivable	7,949	135,212
Investments	7,096,542	5,716,065
Interest receivable	34,448	30,116
Prepaid insurance	28,593	26,078
Inventory	491,206	626,318
	<b>9,189,048</b>	<b>8,094,586</b>
<b>RESTRICTED ASSETS</b>		
Cash - Meter Setting Fund	101,582	31,694
Cash - Medical Reimbursement Fund	92,051	110,990
Investments - customer deposits	333,795	320,071
Investments - medical reimbursement	400,474	387,878
Interest receivable	843	782
	<b>928,745</b>	<b>851,415</b>
<b>CAPITAL ASSETS</b>		
Land	94,582	94,582
Water plant	29,478,903	28,117,626
Construction in progress	311,506	320,954
	<b>29,884,991</b>	<b>28,533,162</b>
Less accumulated depreciation	<b>(13,470,706)</b>	<b>(12,684,429)</b>
	<b>16,414,285</b>	<b>15,848,733</b>
<b>NET CAPITAL ASSETS</b>		
	<b>16,414,285</b>	<b>15,848,733</b>
<b>TOTAL ASSETS</b>	<b>\$ 26,532,078</b>	<b>\$ 24,794,734</b>

See accompanying notes.

**DAVISS COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>Liabilities and Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 789,744	\$ 789,112
Accrued retirement	43,500	47,140
Accrued school and sales taxes	19,008	17,544
Payroll taxes and withholding	12,511	24,494
Accrued payroll	22,147	37,043
Current liabilities payable from restricted assets:		
Accounts payable	7,223	21,303
<b>TOTAL CURRENT LIABILITIES</b>	<b>894,133</b>	<b>936,636</b>
<b>NONCURRENT LIABILITIES</b>		
Customer deposits payable from restricted assets	333,795	320,071
<b>TOTAL LIABILITIES</b>	<b>1,227,928</b>	<b>1,256,707</b>
<b>NET POSITION</b>		
Net investment in capital assets	16,414,285	15,848,733
Unrestricted	8,889,865	7,689,294
<b>TOTAL NET POSITION</b>	<b>25,304,150</b>	<b>23,538,027</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 26,532,078</b>	<b>\$ 24,794,734</b>

See accompanying notes.

**DAVISS COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>OPERATING REVENUES</b>		
Water sales	\$ 6,695,463	\$ 6,253,346
Tap on fees	209,142	242,222
Miscellaneous service revenues	254,714	195,319
<b>TOTAL OPERATING REVENUES</b>	<b>7,159,319</b>	<b>6,690,887</b>
<b>OPERATING EXPENSES</b>		
Advertising	2,325	6,038
Audit, accounting, and legal	20,628	74,149
Bad debts	12,838	6,369
Contract services	131,319	-
Depreciation	846,371	799,345
Education and seminars	5,423	5,737
Employee benefits	411,989	418,991
Insurance	53,915	47,656
Materials, supplies, and repairs	261,752	196,852
Miscellaneous	13,854	15,726
Office supplies and expense	157,369	151,026
Payroll taxes	69,407	74,088
Phone and communication	21,648	16,858
PSC assessment	8,396	8,870
Rent of real estate	12,862	12,765
Salaries and wages	876,808	931,320
Transportation	59,659	70,415
Uniforms	12,100	9,823
Utilities	125,381	121,734
Water purchased	3,420,447	3,394,437
Water tests and meter service	21,236	16,754
<b>TOTAL OPERATING EXPENSES</b>	<b>6,545,727</b>	<b>6,378,953</b>
<b>INCOME FROM OPERATIONS</b>	<b>613,592</b>	<b>311,934</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	322,483	78,373
Unrealized loss on investments	(10,952)	(35,126)
Interest expense	(14,964)	(400)
Loss on disposal of capital assets	(9,784)	(16,557)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>286,783</b>	<b>26,290</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>900,375</b>	<b>338,224</b>

See accompanying notes.

**DAVISS COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>CONTRIBUTED CAPITAL REVENUE</b>	<b>\$ 865,748</b>	<b>\$ 541,686</b>
<b>CHANGE IN NET POSITION</b>	1,766,123	879,910
<b>NET POSITION, BEGINNING OF YEAR</b>	23,538,027	22,658,117
<b>NET POSITION, END OF YEAR</b>	\$ 25,304,150	\$ 23,538,027

See accompanying notes.

**DAVISS COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 7,223,364	\$ 6,551,889
Cash payments to employees for services	(1,319,316)	(1,324,180)
Cash payments for goods and services	(4,289,946)	(4,371,509)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,614,102</b>	<b>856,200</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(908,753)	(739,310)
Proceeds from disposals	9,434	-
Interest paid	(14,964)	(400)
Capital contributions	343,360	90,754
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(570,923)</b>	<b>(648,956)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in investments - net	(1,099,659)	(460,650)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,099,659)</b>	<b>(460,650)</b>
<b>NET DECREASE IN CASH</b>	<b>(56,480)</b>	<b>(253,406)</b>
<b>CASH AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>870,598</b>	<b>1,124,004</b>
<b>CASH AND RESTRICTED CASH AT END OF YEAR</b>	<b>\$ 814,118</b>	<b>\$ 870,598</b>

See accompanying notes.



**DAVISS COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income from operations	\$ 613,592	\$ 311,934
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	846,371	799,345
(Increase) decrease in:		
Accounts receivable	(76,942)	(17,087)
Other receivable	127,263	(130,698)
Prepaid insurance	(2,515)	(3,421)
Inventory	135,112	(252,161)
Increase (decrease) in:		
Accounts payable	(13,448)	112,667
Accrued retirement	(3,640)	3,943
Accrued school and sales tax	1,464	703
Accrued payroll	(14,896)	13,940
Payroll taxes and withholding	(11,983)	8,248
Customer deposits	13,724	8,787
Total adjustments	1,000,510	544,266
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,614,102</b>	<b>\$ 856,200</b>

See accompanying notes.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

Nature of Business

The Daviess County Water District (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. As of December 31, 2023 and 2022 there were 13,741 and 13,633 active meters, respectively.

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 2023 and 2022, representing water lines donated to the District were \$522,388 and \$326,216, respectively.

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.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

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 are capitalized. The District capitalizes assets over \$500 when the useful life is greater than one year. Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$846,371 and \$799,345 for the years ended December 31, 2023 and 2022, respectively. 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 or when a service charge is incurred. At the end of each month approximately five to ten days of unbilled revenue may exist (depending on when meters are read). The impact of unbilled revenue is not material to the financial statements and as such, no accrual has been recorded in these financial statements.

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.

**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

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

Authorized Investments (continued)

statues. The District has incorporated the requirements of KRS 66.480 into its deposit and investment policies.

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 has incorporated the requirements of KRS 66.480 into its investment policies, which addresses 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 has incorporated the requirements of KRS 66.480 into its investment policies, which addresses custodial credit risk. As of December 31, 2023 and 2022, the amount of insured and uninsured deposits not covered by federal deposit insurance or collateralized by securities was as follows:

	2023	2022
Bank balances	\$ 3,928,711	\$ 2,653,120
Amount held at brokers	4,721,004	4,721,026
FDIC insured	(4,971,004)	(4,971,026)
Collateralized by pledged securities	(3,678,711)	(2,403,120)
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:

	2023	2022
Cash	\$ 620,485	\$ 727,914
Restricted Cash:		
Cash - Meter Setting Fund	101,582	31,694
Cash - Medical Reimbursement Fund	92,051	110,990
Cash and Restricted Cash	\$ 814,118	\$ 870,598

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

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

	2023	2022
Investments	\$ 7,096,542	\$ 5,716,065
Restricted Investments:		
Investments - customer deposits	333,795	320,071
Investments - medical reimbursements	400,474	387,878
	\$ 7,830,811	\$ 6,424,014

As of December 31, 2023 and 2022, the District had the following investments:

<u>Investments:</u>	2023		2022	
	Cost	Carrying Value	Cost	Carrying Value
Cash held at brokers	\$ -	\$ -	\$ 26	\$ 26
Brokerage CDs	4,721,004	4,674,923	4,721,012	4,685,874
CDs held at local financial institutions	3,155,888	3,155,888	1,738,114	1,738,114
Total Investments	\$ 7,876,892	\$ 7,830,811	\$ 6,459,152	\$ 6,424,014

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, 2023 and 2022:

<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, 2023</i>				
Investments:				
Brokerage CDs	\$ 4,674,923	\$ -	\$ 4,674,923	\$ -
Total Assets	\$ 4,674,923	\$ -	\$ 4,674,923	\$ -

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

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

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.

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the years ended December 31, 2023 and 2022 was as follows:

	Dec. 31 2022	Additions	Deletions	Dec. 31, 2023
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	320,954	557,850	567,298	311,506
<b>Total capital assets not depreciated:</b>	<b>415,536</b>	<b>557,850</b>	<b>567,298</b>	<b>406,088</b>
Capital assets depreciated:				
Buildings	346,276	59,338	-	405,614
Pumping stations	1,682,533	282,641	-	1,965,174
Equipment	2,984,033	81,890	40,876	3,025,047
Tanks, lines, meters and hydrants	23,104,784	1,016,720	38,436	24,083,068
<b>Total capital assets depreciated</b>	<b>28,117,626</b>	<b>1,440,589</b>	<b>79,312</b>	<b>29,478,903</b>
Less accumulated depreciation:				
Buildings	295,738	9,314	-	305,052
Pumping stations	993,471	51,925	-	1,045,396
Equipment	861,063	186,453	40,876	1,006,640
Tanks, lines, meters and hydrants	10,534,157	598,679	19,218	11,113,618
<b>Total accumulated depreciation</b>	<b>12,684,429</b>	<b>846,371</b>	<b>60,094</b>	<b>13,470,706</b>
<b>Total capital assets depreciated, net</b>	<b>15,433,197</b>	<b>594,218</b>	<b>19,218</b>	<b>16,008,197</b>
<b>Total capital assets, net</b>	<b>\$ 15,848,733</b>	<b>\$ 1,152,068</b>	<b>\$ 586,516</b>	<b>\$ 16,414,285</b>

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

Construction in Progress

*Highway 54 Waterline Relocation Project*

At December 31, 2023, the District had incurred \$258,131 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 \$549,925. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$291,794 for its share of the betterment costs. The District was awarded grants of \$275,000 (#21CWW044) and \$275,000 (#22CWW135) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

*Master Meter Installation Project*

At December 31, 2023, the District had incurred \$29,680 in construction in progress for its master meter installation project. The project is expected to have a total estimated cost of \$200,000 at completion. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$170,320. The District was awarded a grant of \$200,000 (#21CWW046) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs to fund project costs.

*Wing Avenue Waterline Relocation Project*

At December 31, 2023, the District had incurred \$7,177 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 \$2,900,000 at completion. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$2,892,823. A portion of the commitment is expected to be funded by grants. The District was awarded grants of \$1,310,000 (#21CWW045) and \$351,500 (#22CWW136) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs. The District is currently seeking additional funding sources to fund project costs before bidding and awarding the project to a contractor.

*Parrish Avenue and Wing Avenue Pump Station Upgrade Project*

At December 31, 2023, the District had incurred \$5,678 in construction in progress for a project to upgrade a pump station located at Parrish Avenue and Wing Avenue. The project is expected to have a total estimated cost of \$440,000 at completion. At December 31, 2023, the District expected remaining estimated costs-to-complete of \$434,322. The District was awarded a grant of \$440,000 (#22CWW141) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

	<u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2022</u>
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 expected remaining estimated costs-to-complete of \$266,824 for its share of the betterment costs. The District was awarded grants of \$275,000 (#21CWW044) and \$275,000 (#22CWW135) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

*Master Meter Installation Project*

At December 31, 2022, the District had incurred \$15,278 in construction in progress for its master meter installation project. The project is expected to have a total estimated cost of \$200,000 at completion. At December 31, 2022, the District expected remaining estimated costs-to-complete of \$184,722. The District was awarded a grant of \$200,000 (#21CWW046) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

*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 expected remaining estimated costs-to-complete \$1,656,371. The remaining commitment is expected to be funded by grants. The District was awarded grants of \$1,310,000 (#21CWW045) and \$351,500 (#22CWW136) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.



**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

Construction in Progress (continued)

*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 expected remaining estimated costs-to-complete of \$133,500. The remaining commitment is expected to be funded by a grant. The District was awarded a grant of \$165,000 (#21CWW043) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

*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 expected remaining estimated costs-to-complete of \$142,475. The remaining commitment is expected to be funded by a grant. The District was awarded a grant of \$165,000 (#21CWW042) under the Kentucky Cleaner Water Program from funds provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund to fund project costs.

**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 2023 and 2022 was \$88,632 and \$90,424, respectively. Accrued retirement expense for the Plan as of December 31, 2023 and 2022 was \$43,500 and \$43,197, respectively. Pentegra Services, Inc. is the administrator of the funds. Empower is the custodian of the funds.

During 2023 and 2022, 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 2023 and 2022 was \$19,741 and \$28,247, respectively. Pentegra Services, Inc. is the administrator of this retirement plan. Empower 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.

**DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**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, 2023 and 2022 was as follows:

	2023	2022
Accounts receivable - RWRA	\$ 463,380	\$ 393,583
Accounts receivable - Other	446,445	439,300
Total accounts receivable	\$ 909,825	\$ 832,883
Accounts payable - RWRA	\$ 426,834	\$ 360,083
Accounts payable - Other	362,910	429,029
Total accounts payable	\$ 789,744	\$ 789,112

**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 \$865,748 and \$541,686 for 2023 and 2022.

**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 2023 and 2022 were \$3,387,014 and \$3,366,462, respectively. Amounts payable to OMU at year-end for 2023 and 2022 were \$228,508 and \$164,981, respectively.

**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.

**DAVISS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**NOTE K – NET POSITION (continued)**

The following was included in restricted net position as of December 31, 2023 and 2022:

	2023	2022
Investments - Customer Deposits	\$ 333,795	\$ 320,071
Less: Restricted Liabilities	(333,795)	(320,071)
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 January 1 to December 31, 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, 2023 and 2022, totaled \$400,474 and \$387,878, respectively. For the years ended December 31, 2023 and 2022, medical reimbursements paid to employees were \$21,696 and \$25,438, respectively. There were no significant outstanding medical reimbursements to employees as December 31, 2023 and 2022.

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, 2023 and 2022, the total amount overpaid (underpaid) by the District was \$23,676 and (\$85,874), respectively. The District has not recognized a contingency on their records since this amount cannot be reasonably estimated as of December 31, 2023 and 2022.

**NOTE M – RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2023 and 2022, a board member provided investment advisory services to the employees participating in the District's retirement plan. The board member does not receive a direct payment from the District for the investment advisory fee. The investment advisory fee is deducted from plan assets. The investment advisory fee is determined based on the market value of the plan's assets. As of December 31, 2023 and 2022, the annual fee was 0.60% per year.

**NOTE N – SUBSEQUENT EVENTS**

The District did not have any subsequent events through May 13, 2024, 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, 2023.

**SUPPLEMENTARY INFORMATION**

**DAVIESS COUNTY WATER DISTRICT**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES</b>	<u>\$ 7,181,000</u>	<u>\$ 7,181,000</u>	<u>\$ 7,159,319</u>	<u>\$ (21,681)</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance expense	5,678,200	5,678,200	5,690,960	(12,760)
Depreciation expense	820,000	820,000	846,371	(26,371)
Taxes other than income	10,000	10,000	8,396	1,604
<b>TOTAL OPERATING EXPENSES</b>	<u>6,508,200</u>	<u>6,508,200</u>	<u>6,545,727</u>	<u>(37,527)</u>
<b>INCOME FROM OPERATIONS</b>	<u>672,800</u>	<u>672,800</u>	<u>613,592</u>	<u>(59,208)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	270,000	270,000	322,483	52,483
Unrealized losses on investments	-	-	(10,952)	(10,952)
Interest expense	(14,000)	(14,000)	(14,964)	(964)
Loss on disposal of capital assets	-	-	(9,784)	(9,784)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>256,000</u>	<u>256,000</u>	<u>286,783</u>	<u>30,783</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	928,800	928,800	900,375	(28,425)
<b>CONTRIBUTED CAPITAL REVENUE</b>	<u>200,000</u>	<u>200,000</u>	<u>865,748</u>	<u>665,748</u>
<b>CHANGE IN NET POSITION</b>	<u><u>\$ 1,128,800</u></u>	<u><u>\$ 1,128,800</u></u>	<u><u>\$ 1,766,123</u></u>	<u><u>\$ 637,323</u></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, 2023, 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 May 13, 2024.

### **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.

*Altadena & Company CPAs PSC*

Owensboro, Kentucky  
May 13, 2024

**DAVISS COUNTY WATER DISTRICT  
Schedule of Findings and Responses  
Year Ended December 31, 2023**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE