

DAVIESS COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2024 AND 2023

DAVIESS COUNTY WATER DISTRICT
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December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Daviess County Water District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Daviess County Water District, a component unit of the Daviess County Fiscal Court, Kentucky as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Daviess 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 Daviess County Water District, as of December 31, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Daviess 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 Daviess 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 opinions on the financial statements that collectively comprise the 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 20, 2025, 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 20, 2025



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, 2024. 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, 2024 and 2023:

	2024	2023 (Restated)	\$ Change	% Change
ASSETS				
CURRENT ASSETS				
Current assets	\$ 10,934,400	\$ 9,364,725	\$ 1,569,675	16.76%
Restricted assets	1,027,820	928,745	99,075	10.67%
Net capital assets	17,300,042	16,759,965	540,077	3.22%
Total assets	<u>\$ 29,262,262</u>	<u>\$ 27,053,435</u>	2,208,827	8.16%
LIABILITIES AND NET ASSETS				
Current liabilities	\$ 1,528,676	\$ 1,239,813	288,863	23.30%
Noncurrent liabilities	347,570	333,795	13,775	4.13%
Total liabilities	<u>1,876,246</u>	<u>1,573,608</u>	302,638	19.23%
NET POSITION				
Net investment in capital assets	17,300,042	16,759,965	540,077	3.22%
Unrestricted	10,085,974	8,719,862	1,366,112	15.67%
Total net position	<u>27,386,016</u>	<u>25,479,827</u>	1,906,189	7.48%
Total liabilities and net position	<u>\$ 29,262,262</u>	<u>\$ 27,053,435</u>	\$ 2,208,827	8.16%

The following table summarizes the revenues, expenses, and changes in net position of the District for the years ended December 31, 2024 and 2023:

	2024	2023 (Restated)	\$ Change	% Change
Operating revenues	\$ 7,429,181	\$ 7,159,319	\$ 269,862	3.77%
Operating expenses	6,682,232	6,545,727	136,505	2.09%
Income from operations	<u>746,949</u>	<u>613,592</u>	133,357	21.73%
Interest income	415,029	322,483	92,546	28.70%
Unrealized gains (losses) on investments	72,005	(10,952)	82,957	-757.46%
Interest expense	(19,020)	(14,964)	(4,056)	27.11%
Gain (loss) on disposal of capital assets	6,685	(9,784)	16,469	-168.33%
Net nonoperating revenue	<u>474,699</u>	<u>286,783</u>	187,916	65.53%
Income before capital contributions	1,221,648	900,375	321,273	35.68%
Capital contributions	684,541	1,041,425	(356,884)	-34.27%
Change in net position	1,906,189	1,941,800	(35,611)	-1.83%
Net position, beginning of year	<u>25,479,827</u>	<u>23,538,027</u>	1,941,800	8.25%
Net position, end of year	<u>\$ 27,386,016</u>	<u>\$ 25,479,827</u>	\$ 1,906,189	7.48%

FINANCIAL HIGHLIGHTS

- In 2024, the District's net position increased by \$1,906,189. The increase in net position was comprised of income from operations of \$746,949 and capital contributions of \$684,541.
- In 2024, the District's operating revenues were \$7,429,181. In 2023, the District's operating revenues were \$7,159,319. Therefore, the District's operating revenues increased \$269,862 or 3.77%. An increase in water sales comprised substantially all of the increase in operating revenue. In 2024, the District saw a slight increase in customer demand when compared to 2023. In 2024, the District's total gallons sold to customers were 1,031,024,100. In 2023, the District's total gallons sold to customers were 1,005,420,920. Therefore, the District's total gallons sold to customers increased 25,603,180 or 2.55%. 2024 water sales also increased when compared to 2023 due to the timing of the last rate increase. The unified rate increase went into effect February 10, 2023. As such, for 2023, the last rate increase was only effective for ten of the twelve customer billing periods.
- In 2024, the District's operating expenses were \$6,682,232. In 2023, the District's operating expenses were \$6,545,727. Therefore, the District's operating expenses increased \$136,505 or 2.09%. The most significant increases and decreases in operating expenses during 2024 when compared to 2023 were as follows:
 - Contract services decreased \$116,289 or 89%.
 - Water purchased increased \$156,469 or 4.57%.
 - Salaries and wages increased \$37,836 or 4.32%.

Contract services decreased due to non-recurring contract services that occurred during 2023. In 2023, a contractor was engaged to perform an acoustic leak detection service for the entire water system (\$112,500), a consultant was engaged to perform a review of the District's compensation system and organizational structure (\$9,569), and the Kentucky Rural Water Association provided consulting on the unified rate application (\$9,250). These expenses were non-recurring contracts with contractors and consultants, as such, the 2024 contract services were significantly lower compared to 2023.

Water purchased increased due to increased customer demand. As mentioned previously, gallons sold to customers increased 2.55%.

Salaries and wages increased primarily due to raises.

CAPITAL ASSETS

As of December 31, 2024, the District had \$17.3 million of net capital assets. The following table summarizes the District's capital asset activity during 2024.

	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	657,186	910,699	439,407	1,128,478
Total capital assets not depreciated:	<u>751,768</u>	<u>910,699</u>	<u>439,407</u>	<u>1,223,060</u>
Capital assets depreciated:				
Buildings	405,614	-	-	405,614
Pumping stations	1,965,174	442,321	-	2,407,495
Equipment	3,025,047	79,981	46,963	3,058,065
Tanks, lines, meters and hydrants	24,083,068	438,448	33,567	24,487,949
Total capital assets depreciated	<u>29,478,903</u>	<u>960,750</u>	<u>80,530</u>	<u>30,359,123</u>
Less accumulated depreciation:				
Buildings	305,052	10,022	-	315,074
Pumping stations	1,045,396	47,092	-	1,092,488
Equipment	1,006,640	188,244	35,977	1,158,907
Tanks, lines, meters and hydrants	11,113,618	618,837	16,783	11,715,672
Total accumulated depreciation	<u>13,470,706</u>	<u>864,195</u>	<u>52,760</u>	<u>14,282,141</u>
Total capital assets depreciated, net	<u>16,008,197</u>	<u>96,555</u>	<u>27,770</u>	<u>16,076,982</u>
Total capital assets, net	<u>\$ 16,759,965</u>	<u>\$ 1,007,254</u>	<u>\$ 467,177</u>	<u>\$ 17,300,042</u>

Significant capital asset additions were as follows:

- Pumping stations:
 - The Wing Avenue pump station replacement was placed in service for \$242,370.
 - The Parrish Avenue pump station replacement was placed in service for \$197,037.
- Equipment:
 - A Kubota tractor (with backhoe) was placed into service for \$23,476.
 - Billing software was placed into service for \$20,645.
 - Communication equipment for meter reading (radios) was placed into service for \$31,820.
- Tanks, lines, meters, and hydrants:
 - Lines placed into service were \$102,731, (includes subdivision additions of \$102,731).
 - Meter installation charges and meters placed into service were \$266,448.
 - Hydrants placed into service were \$48,000 (includes subdivision additions of \$48,000).

CAPITAL ASSETS (continued)

Construction in Progress

Highway 54 Waterline Relocation Project

At December 31, 2024, the District had incurred \$372,573 in construction in progress for a project to relocate waterlines on Highway 54 by the Kentucky Department of Transportation. The District's share of the project cost is estimated at \$549,925 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, 2024, the District's remaining estimated costs-to-complete were \$177,352 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, 2024, the District had incurred \$160,812 in construction in progress for its master meter installation project. The project's total estimated cost is \$200,000 at completion. At December 31, 2024, the District's remaining estimated costs-to-complete were \$39,188. 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, 2024, the District had incurred \$313,802 in construction in progress for a project to upgrade a waterline located at Wing Avenue. The project's total estimated cost is \$2,900,000 at completion. At December 31, 2024, the District's remaining estimated costs-to-complete were \$2,586,198. A portion of the commitment is expected to be funded by KIA grants and from a state allocation to be passed through the Daviess County Fiscal Court. The District was awarded KIA grants of \$1,310,000 (#21CWW045) and \$476,093 (#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 also expecting a state allocation passed through the Daviess County Fiscal Court in the amount of \$1,200,000, which was included in Senate Bill 91 and passed in the 2024 regular session.

Highway 81 and Highway 554 Water Main Replacement Project

At December 31, 2024, the District had incurred \$175,701 in construction in progress for a project to replace a water main on Highway 81 and Highway 554. The project's total estimated cost is \$313,000 at completion. At December 31, 2024, the District's remaining estimated costs-to-complete were \$137,299. The District will fund the project from its cash reserves.

Daniels Lane Waterline Upgrade Project

At December 31, 2024, the District had incurred \$229 in construction in progress for a project to upgrade a waterline line beginning at the Daniels Lane Pump Station along Daniels Lane, then along Hayden Road to the intersection with Fairview Drive/KY 603. The project's total estimated cost is \$800,000 at completion. At December 31, 2024, the District's remaining estimated costs to complete were \$799,771. The District was awarded a grant from the U.S. Environmental Protection Agency in the amount of \$640,000 to fund the project. The remaining project costs will be funded from the District's cash reserves.

CAPITAL ASSETS (continued)

Wimsatt Court Fire Protection Upgrade Project

At December 31, 2024, the District had incurred \$19,296 in construction in progress for a project to upgrade a waterline line and install hydrants located through the Wimsatt Court Subdivision. The project's total estimated cost is \$344,000 at completion. At December 31, 2024, the District's remaining estimated costs to complete were \$324,704. A portion of the commitment is expected to be funded by a grant. The District was awarded a grant of \$108,737 (#22CWW382) 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 remaining project costs will be funded from the District's cash reserves.

2025 OPERATING & CAPITAL BUDGET AND PURCHASED WATER RATES

2025 Operating Budget

Revenue:

Total budgeted revenue from sales of water was increased 3.5% from \$7,607,000 in 2024 to \$7,874,000 in 2025 to account for an expected increase in the District's wholesale rate from Owensboro Municipal Utilities. Overall, sales in gallons were budgeted to remain similar to 2024. Other Revenue was increased 3.7% from \$511,000 in 2024 to \$530,000 in 2025 to account for the anticipated increase in forfeited discounts and sewer collection fees.

Expenses:

Total budgeted operation and maintenance expenses were increased 1.7% from \$7,260,900 in 2024 to \$7,385,900 in 2025. A wholesale rate adjustment is expected from Owensboro Municipal Utilities in June 2025 which will result in an increase in purchased water expense. The District also expects to hire two new employees during 2025 which will result in increases in salaries and employee benefits expenses. Depreciation expense is expected to increase due to completion and capitalization of major grant-funded projects.

2025 Capital Budget

The 2025 Capital Budget encompasses projects which align with the Districts' strategic planning and hydraulic analysis. Installation of SCADA technology was budgeted for the West Division. Internally funded projects include completion of the Hwy 81 / Hwy 554 waterline replacement, Hwy 258 waterline replacement, Wimsatt Court waterline upgrade, and Town & Country subdivision waterline replacement. Other capital projects include purchase of 3300 meters for meter change out and purchase of two maintenance trucks. Externally funded projects include completion of the Hwy 54 waterline replacement, Wing Avenue waterline replacement, and Wimsatt Court waterline upgrade.

Purchased Water Rates

Purchased water rates are expected to increase as the District is expected to receive a purchased water rate increase from Owensboro Municipal Utilities. The exact amount will be unknown until March 2025.

DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2024 and 2023

	2024	2023 (Restated)
Assets		
CURRENT ASSETS		
Cash	\$ 926,273	\$ 620,485
Accounts receivable	1,003,719	909,825
Other receivable	8,790	7,949
Grants receivable	63,212	175,677
Investments	8,288,671	7,096,542
Interest receivable	41,374	34,448
Prepaid insurance	30,395	28,593
Inventory	571,966	491,206
TOTAL CURRENT ASSETS	<u>10,934,400</u>	<u>9,364,725</u>
RESTRICTED ASSETS		
Cash - meter setting fund	185,839	101,582
Cash - medical reimbursement fund	76,992	92,051
Investments - customer deposits	347,570	333,795
Investments - medical reimbursement	416,043	400,474
Interest receivable	1,376	843
TOTAL RESTRICTED ASSETS	<u>1,027,820</u>	<u>928,745</u>
CAPITAL ASSETS		
Land	94,582	94,582
Water plant	30,359,123	29,478,903
Construction in progress	1,128,478	657,186
	31,582,183	30,230,671
Less accumulated depreciation	<u>(14,282,141)</u>	<u>(13,470,706)</u>
NET CAPITAL ASSETS	<u>17,300,042</u>	<u>16,759,965</u>
TOTAL ASSETS	<u><u>\$ 29,262,262</u></u>	<u><u>\$ 27,053,435</u></u>

See accompanying notes.

DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 1,162,771	\$ 1,135,424
Accrued retirement	42,074	43,500
Accrued school and sales taxes	21,140	19,008
Payroll taxes and withholding	12,198	12,511
Accrued payroll	16,635	22,147
Refundable grant advances	266,808	-
Current liabilities payable from restricted assets:		
Accounts payable	<u>7,050</u>	<u>7,223</u>
TOTAL CURRENT LIABILITIES	<u>1,528,676</u>	<u>1,239,813</u>
NONCURRENT LIABILITIES		
Customer deposits payable from restricted assets	<u>347,570</u>	<u>333,795</u>
TOTAL LIABILITIES	<u>1,876,246</u>	<u>1,573,608</u>
NET POSITION		
Net investment in capital assets	17,300,042	16,759,965
Unrestricted	<u>10,085,974</u>	<u>8,719,862</u>
TOTAL NET POSITION	<u>27,386,016</u>	<u>25,479,827</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 29,262,262</u></u>	<u><u>\$ 27,053,435</u></u>

See accompanying notes.

DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	2024	2023 (Restated)
OPERATING REVENUES		
Water sales	\$ 6,923,249	\$ 6,695,463
Tap on fees	232,881	209,142
Miscellaneous service revenues	273,051	254,714
TOTAL OPERATING REVENUES	7,429,181	7,159,319
OPERATING EXPENSES		
Advertising	1,590	2,325
Audit, accounting, and legal	24,286	20,628
Bad debts	6,355	12,838
Contract services	15,030	131,319
Depreciation	864,195	846,371
Education and seminars	7,020	5,423
Employee benefits	398,366	411,989
Insurance	57,627	53,915
Materials, supplies, and repairs	265,829	261,752
Miscellaneous	15,854	13,854
Office supplies and expense	172,444	157,369
Payroll taxes	72,304	69,407
Phone and communication	23,018	21,648
PSC assessment	10,801	8,396
Rent of real estate	12,862	12,862
Salaries and wages	914,644	876,808
Transportation	77,515	59,659
Uniforms	12,270	12,100
Utilities	132,169	125,381
Water purchased	3,576,916	3,420,447
Water tests and meter service	21,137	21,236
TOTAL OPERATING EXPENSES	6,682,232	6,545,727
INCOME FROM OPERATIONS	746,949	613,592
NONOPERATING REVENUES (EXPENSES)		
Interest income	415,029	322,483
Unrealized gain (loss) on investments	72,005	(10,952)
Interest expense	(19,020)	(14,964)
Gain (loss) on disposal of capital assets	6,685	(9,784)
TOTAL NONOPERATING REVENUES (EXPENSES)	474,699	286,783
INCOME BEFORE CONTRIBUTIONS	1,221,648	900,375

See accompanying notes.

DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
CONTRIBUTED CAPITAL REVENUE	<u>\$ 684,541</u>	<u>\$ 1,041,425</u>
CHANGE IN NET POSITION	1,906,189	1,941,800
NET POSITION, BEGINNING OF YEAR	<u>25,479,827</u>	<u>23,538,027</u>
NET POSITION, END OF YEAR	<u><u>\$ 27,386,016</u></u>	<u><u>\$ 25,479,827</u></u>

See accompanying notes.

DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 7,349,062	\$ 7,096,101
Cash payments to employees for services	(1,320,261)	(1,319,316)
Cash payments for goods and services	<u>(4,558,283)</u>	<u>(3,944,266)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,470,518</u>	<u>1,832,519</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,282,691)	(1,254,433)
Proceeds from disposals	34,435	9,434
Interest paid	(19,020)	(14,964)
Capital contributions	<u>913,642</u>	<u>470,623</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(353,634)</u>	<u>(789,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments - net	<u>(741,898)</u>	<u>(1,099,659)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(741,898)</u>	<u>(1,099,659)</u>
NET INCREASE (DECREASE) IN CASH	374,986	(56,480)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>814,118</u>	<u>870,598</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 1,189,104</u></u>	<u><u>\$ 814,118</u></u>

See accompanying notes.

DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023 (Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income from operations	\$ 746,949	\$ 613,592
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	864,195	846,371
(Increase) decrease in:		
Accounts receivable	(93,894)	(76,942)
Prepaid insurance	(1,802)	(2,515)
Inventory	(80,760)	135,112
Increase (decrease) in:		
Accounts payable	27,174	332,232
Accrued retirement	(1,426)	(3,640)
Accrued school and sales tax	2,132	1,464
Accrued payroll	(5,512)	(14,896)
Payroll taxes and withholding	(313)	(11,983)
Customer deposits	13,775	13,724
Total adjustments	723,569	1,218,927
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,470,518	\$ 1,832,519

See accompanying notes.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023 there were 13,857 and 13,741 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 2024 and 2023, representing water lines and hydrants donated to the District were \$149,331 and \$522,388, respectively.

Investments

The District's investments are stated at fair value, except for highly liquid marketable investments with maturities of one year or less at the time of purchase and non-negotiable CDs held at local financial institutions, which are stated at amortized costs.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

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 are capitalized. The District's capitalizes assets over \$5,000 when the useful life is greater than one year (with exception to meters and radios, which all costs are capitalized). Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$864,195 and \$846,371 for the years ended December 31, 2024 and 2023, respectively. Estimated useful lives of major class of the water plant in service are as follows:

	<u>Years</u>
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.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The District implemented this new standard on January 1, 2024 and it did not have an impact on the financial statements other than additional disclosure.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The District implemented this new standard on January 1, 2024 and it did not have an impact on the financial statements.

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. 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, 2024 and 2023, the amount of insured and uninsured deposits not covered by federal deposit insurance or collateralized by securities was as follows:

	2024	2023
Bank balances	\$ 5,749,739	\$ 3,928,711
Amount held at brokers	4,482,928	4,721,004
FDIC insured	(4,732,928)	(4,971,004)
Collateralized by pledged securities	(5,499,739)	(3,678,711)
Uninsured and not covered by collateral	-	-
Total custodial credit risk	<u>\$ -</u>	<u>\$ -</u>

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE B – DEPOSITS AND INVESTMENTS (continued)

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:

	2024	2023
Cash	\$ 926,273	\$ 620,485
Restricted Cash:		
Cash - Meter Setting Fund	185,839	101,582
Cash - Medical Reimbursement Fund	76,992	92,051
	<u> </u>	<u> </u>
Cash and Restricted Cash	<u>\$ 1,189,104</u>	<u>\$ 814,118</u>

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

	2024	2023
Investments	\$ 8,288,671	\$ 7,096,542
Restricted Investments:		
Investments - customer deposits	347,570	333,795
Investments - medical reimbursements	416,043	400,474
	<u> </u>	<u> </u>
	<u>\$ 9,052,284</u>	<u>\$ 7,830,811</u>

As of December 31, 2024 and 2023, the District had the following investments:

	2024		2023	
<u>Investments:</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Cost</u>	<u>Carrying Value</u>
Cash held at brokers	\$ 17	\$ 17	\$ -	\$ -
Brokerage CDs	4,457,006	4,482,910	4,721,004	4,674,923
CDs held at local financial institutions	4,569,357	4,569,357	3,155,888	3,155,888
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 9,026,380</u>	<u>\$ 9,052,284</u>	<u>\$ 7,876,892</u>	<u>\$ 7,830,811</u>

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.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE B – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

The District had the following recurring fair value measurements as of December 31, 2024 and 2023:

		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)
<u>Recurring fair value measurements:</u>	<u>Fair Value</u>			
<i>December 31, 2024</i>				
Investments:				
Brokerage CDs	\$ 4,482,910	\$ -	\$ 4,482,910	\$ -
Total recurring fair value measurements	<u>\$ 4,482,910</u>	<u>\$ -</u>	<u>\$ 4,482,910</u>	<u>\$ -</u>
<i>December 31, 2023</i>				
Investments:				
Brokerage CDs	\$ 4,674,923	\$ -	\$ 4,674,923	\$ -
Total recurring fair value measurements	<u>\$ 4,674,923</u>	<u>\$ -</u>	<u>\$ 4,674,923</u>	<u>\$ -</u>

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, 2024 and 2023 was as follows:

	2023	Additions	Deletions	2024
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	657,186	910,699	439,407	1,128,478
Total capital assets not depreciated:	<u>751,768</u>	<u>910,699</u>	<u>439,407</u>	<u>1,223,060</u>
Capital assets depreciated:				
Buildings	405,614	-	-	405,614
Pumping stations	1,965,174	442,321	-	2,407,495
Equipment	3,025,047	79,981	46,963	3,058,065
Tanks, lines, meters and hydrants	24,083,068	438,448	33,567	24,487,949
Total capital assets depreciated	<u>29,478,903</u>	<u>960,750</u>	<u>80,530</u>	<u>30,359,123</u>
Less accumulated depreciation:				
Buildings	305,052	10,022	-	315,074
Pumping stations	1,045,396	47,092	-	1,092,488
Equipment	1,006,640	188,244	35,977	1,158,907
Tanks, lines, meters and hydrants	11,113,618	618,837	16,783	11,715,672
Total accumulated depreciation	<u>13,470,706</u>	<u>864,195</u>	<u>52,760</u>	<u>14,282,141</u>
Total capital assets depreciated, net	<u>16,008,197</u>	<u>96,555</u>	<u>27,770</u>	<u>16,076,982</u>
Total capital assets, net	<u>\$ 16,759,965</u>	<u>\$ 1,007,254</u>	<u>\$ 467,177</u>	<u>\$ 17,300,042</u>

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE C – CAPITAL ASSETS (continued)

Construction in Progress

Highway 54 Waterline Relocation Project

At December 31, 2024, the District had incurred \$372,573 in construction in progress for a project to relocate waterlines on Highway 54 by the Kentucky Department of Transportation. The District's share of the project cost is estimated at \$549,925 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, 2024, the District's remaining estimated costs-to-complete were \$177,352 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, 2024, the District had incurred \$160,812 in construction in progress for its master meter installation project. The project's total estimated cost is \$200,000 at completion. At December 31, 2024, the District's remaining estimated costs-to-complete were \$39,188. 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, 2024, the District had incurred \$313,802 in construction in progress for a project to upgrade a waterline located at Wing Avenue. The project's total estimated cost is \$2,900,000 at completion. At December 31, 2024, the District's remaining estimated costs-to-complete were \$2,586,198. A portion of the commitment is expected to be funded by KIA grants and from a state allocation to be passed through the Daviess County Fiscal Court. The District was awarded KIA grants of \$1,310,000 (#21CWW045) and \$476,093 (#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 also expecting a state allocation passed through the Daviess County Fiscal Court in the amount of \$1,200,000, which was included in Senate Bill 91 and passed in the 2024 regular session.

Highway 81 and Highway 554 Water Main Replacement Project

At December 31, 2024, the District had incurred \$175,701 in construction in progress for a project to replace a water main on Highway 81 and Highway 554. The project's total estimated cost is \$313,000 at completion. At December 31, 2024, the District's remaining estimated costs-to-complete were \$137,299. The District will fund the project from its cash reserves.

Daniels Lane Waterline Upgrade Project

At December 31, 2024, the District had incurred \$229 in construction in progress for a project to upgrade a waterline line beginning at the Daniels Lane Pump Station along Daniels Lane, then along Hayden Road to the intersection with Fairview Drive/KY 603. The project's total estimated cost is \$800,000 at completion. At December 31, 2024, the District's remaining estimated costs to complete were \$799,771. The District was awarded a grant from the U.S. Environmental Protection Agency in the amount of \$640,000 to fund the project. The remaining project costs will be funded from the District's cash reserves.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE C – CAPITAL ASSETS (continued)

Construction in Progress (continued)

Wimsatt Court Fire Protection Upgrade Project

At December 31, 2024, the District had incurred \$19,296 in construction in progress for a project to upgrade a waterline line and install hydrants located through the Wimsatt Court Subdivision. The project's total estimated cost is \$344,000 at completion. At December 31, 2024, the District's remaining estimated costs to complete were \$324,704. A portion of the commitment is expected to be funded by a grant. The District was awarded a grant of \$108,737 (#22CWW382) 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 remaining project costs will be funded from the District's cash reserves.

	2022	Additions	Deletions	2023
Capital assets not depreciated:				
Land	\$ 94,582	\$ -	\$ -	\$ 94,582
Construction in progress	320,954	903,530	567,298	657,186
Total capital assets not depreciated:	<u>415,536</u>	<u>903,530</u>	<u>567,298</u>	<u>751,768</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>\$ 1,497,748</u>	<u>\$ 586,516</u>	<u>\$ 16,759,965</u>

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 District's share of the project cost is estimated at \$549,925 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's remaining estimated costs-to-complete were \$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.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE C – CAPITAL ASSETS (continued)

Construction in Progress (continued)

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's total estimated cost is \$200,000 at completion. At December 31, 2023, the District's remaining estimated costs-to-complete were \$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 \$157,661 in construction in progress for a project to upgrade a waterline located at Wing Avenue. The project's total estimated cost is \$2,900,000 at completion. At December 31, 2023, the District's remaining estimated costs-to-complete were \$2,742,339. 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.

Parrish Avenue and Wing Avenue Pump Station Upgrade Project

At December 31, 2023, the District had incurred \$200,874 in construction in progress for a project to upgrade a pump station located at Parrish Avenue and Wing Avenue. The project's total estimated cost is \$440,000 at completion. At December 31, 2023, the District's remaining estimated costs-to-complete were \$239,126. 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.

NOTE D – REFUNDABLE GRANT ADVANCES

As of December 31, 2024, the District's statement of net position included refundable grant advances of \$266,808. All of the amounts reported relate to KIA funding advanced to the District for the Wing Avenue Waterline Relocation Project. These advances have been reported as refundable grant advances due to the terms of the grant assistance agreement with the KIA. The terms of the agreement note that any amounts received before the project is advertised for bid are subject to full and immediate repayment. The Wing Avenue Waterline Relocation Project had not been advertised for bid as of December 31, 2024.

NOTE E – 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 2024 and 2023 was \$86,451 and \$88,632, respectively. Accrued retirement expense for the Plan as of December 31, 2024 and 2023 was \$42,074 and \$43,500, respectively. Pentegra Services, Inc. is the administrator of the funds. Empower is the custodian of the funds. During 2024 and 2023, 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.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE E – RETIREMENT PLANS (continued)

Employer contribution to the deferred compensation plan for 2024 and 2023 was \$23,727 and \$19,741, respectively. Pentegra Services, Inc. is the administrator of this retirement plan. Empower is the custodian of the fund.

NOTE F – 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 G – 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, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Accounts receivable - RWRA	\$ 526,264	\$ 463,380
Accounts receivable - Other	<u>477,455</u>	<u>446,445</u>
Total accounts receivable	<u>\$ 1,003,719</u>	<u>\$ 909,825</u>
Accounts payable - RWRA	\$ 489,630	\$ 432,296
Accounts payable - Other	<u>673,141</u>	<u>703,128</u>
Total accounts payable	<u>\$ 1,162,771</u>	<u>\$ 1,135,424</u>

NOTE H – 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. For the years ended December 31, 2024 and 2023 contributions to the water distribution system amounted were \$684,541 and \$1,041,425, respectively.

NOTE I – INCOME TAX STATUS

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

NOTE J – 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 2024 and 2023 were \$3,538,253 and \$3,387,014, respectively. Amounts payable to OMU at year-end for 2024 and 2023 were \$273,320 and \$228,508, respectively.

NOTE K – COMPENSATED ABSENCES

Employees are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. 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.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE L – 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, 2024 and 2023:

	2024	2023
Investments - Customer Deposits	\$ 347,570	\$ 333,795
Less: Restricted Liabilities	<u>(347,570)</u>	<u>(333,795)</u>
Restricted Net Position	<u>\$ -</u>	<u>\$ -</u>

NOTE M – 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, 2024 and 2023, totaled \$493,035 and \$492,525, respectively. For the years ended December 31, 2024 and 2023, medical reimbursements paid to employees were \$17,545 and \$21,696, respectively. There were no significant outstanding medical reimbursements to employees as December 31, 2024 and 2023.

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, 2024 and 2023, the total amount overpaid by the District was \$55,207 and \$78,733, respectively.

Purchase Commitments - Meters

On September 27, 2024, the District entered into a purchase commitment for 3,240 water meters at a total cost of \$508,356 to support meter changeout activities. As of December 31, 2024, the District had received 1,080 meters, with a recorded accounts payable of \$169,452. The remaining 2,160 meters, representing a commitment of \$338,904, are expected to be delivered in 2025.

DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE N – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the annual fee was 0.60% per year.

NOTE O – RESTATEMENT OF 2023 FINANCIAL STATEMENTS

The District determined that certain transactions were recorded incorrectly in the 2023 financial statements.

The District did not include a grant receivable for allowable costs incurred related to its federal grant programs. The omission understated grants receivable, net position, and contribution in aid of construction in the amount of \$175,677.

The District did not include engineer design and planning fees and construction costs that were incurred during 2023. The omission understated construction in progress and accounts payable by \$345,680.

The table below summarizes the corrections made to restate the 2023 financial statements.

	2023		
	Previously Reported	Restatement	As Restated
Grants receivable	\$ -	\$ 175,677	\$ 175,677
Construction in progress	311,506	345,680	657,186
Accounts payable	789,744	345,680	1,135,424
Net position	25,304,150	175,677	25,479,827
Contributions in aid of construction	865,748	175,677	1,041,425

NOTE P – SUBSEQUENT EVENTS

Hailstorm Damage

On March 15, 2025, a hailstorm swept through Daviess County, Kentucky and caused widespread property damage. The District's damage included damage to four vehicles and damage to the District's structures. With the exception of deductible payments, all of the damage is expected to be reimbursed by the District's liability insurance.

The District did not have any subsequent events through May 20, 2025, 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, 2024.

SUPPLEMENTARY INFORMATION

DAVIESS COUNTY WATER DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2024

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
OPERATING REVENUES	<u>\$ 7,607,000</u>	<u>\$ 7,607,000</u>	<u>\$ 7,429,181</u>	<u>\$ (177,819)</u>
OPERATING EXPENSES				
Operation and maintenance expense	6,350,900	6,350,900	5,807,236	543,664
Depreciation expense	900,000	900,000	864,195	35,805
Taxes other than income	<u>10,000</u>	<u>10,000</u>	<u>10,801</u>	<u>(801)</u>
TOTAL OPERATING EXPENSES	<u>7,260,900</u>	<u>7,260,900</u>	<u>6,682,232</u>	<u>578,668</u>
INCOME FROM OPERATIONS	<u>346,100</u>	<u>346,100</u>	<u>746,949</u>	<u>400,849</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	307,000	307,000	415,029	108,029
Unrealized gain on investments	-	-	72,005	72,005
Interest expense	-	-	(19,020)	(19,020)
Gain on disposal of capital assets	<u>-</u>	<u>-</u>	<u>6,685</u>	<u>6,685</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>307,000</u>	<u>307,000</u>	<u>474,699</u>	<u>167,699</u>
INCOME BEFORE CONTRIBUTIONS	<u>653,100</u>	<u>653,100</u>	<u>1,221,648</u>	<u>568,548</u>
CONTRIBUTED CAPITAL REVENUE	<u>500,000</u>	<u>500,000</u>	<u>684,541</u>	<u>184,541</u>
CHANGE IN NET POSITION	<u><u>\$ 1,153,100</u></u>	<u><u>\$ 1,153,100</u></u>	<u><u>\$ 1,906,189</u></u>	<u><u>\$ 753,089</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
Daviess 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 Daviess County Water District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 20, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daviess 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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
May 20, 2025

**DAVISS COUNTY WATER DISTRICT
Schedule of Findings and Responses
Year Ended December 31, 2024**

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weakness

2024-001 2023 Construction Project Costs Recorded in 2024

Condition: The audit identified \$345,680 in engineering fees and construction costs that were recorded in the 2024 calendar year but should have been accrued as of December 31, 2023. Specifically:

Engineering fees of \$150,484 related to the Wing Avenue Waterline Relocation Project were not accrued in 2023.

Construction costs of \$195,196 related to the Wing & Parrish Avenue Pump Station Replacements Project were not accrued in 2023.

Criteria: In accordance with Generally Accepted Accounting Principles (GAAP), commitments should be recognized in the period in which they are incurred, regardless of when payment is made or invoices are received. Costs related to services or goods received by December 31, 2023, should be accrued in the 2023 financial statements to ensure accurate reporting of construction in progress and accounts payable.

Cause: The misstatement was primarily due to communication and procedural deficiencies:

Invoices were not submitted timely to the office manager for recording.

The District did not have a process in place to estimate or request the necessary cutoff information for proper accrual.

Effect: The previously issued 2023 financial statements were misstated. Construction in progress and accounts payable were understated by \$345,680 as of December 31, 2023.

Recommendation:

Improve Invoice Processing: Establish a formal process for the timely submission of all invoices for construction-related activities to the Office Manager for timely recording and accrual.

Ensure Proper Cutoff: Implement a policy requesting contractors to provide detailed pay application cutoffs as of the financial reporting date (e.g., December 31) to ensure accurate accrual of costs. If cutoffs are not provided, develop a methodology to estimate costs incurred based on project milestones or progress reports.

Views of Responsible Officials and Planned Corrective Actions: The District will take the auditors' recommendation under advisement.

**DAVIESS COUNTY WATER DISTRICT
Schedule of Findings and Responses
Year Ended December 31, 2024**

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

Material Weakness

2024-002 Improper Accounting for Federal Grant Reimbursements

Condition: During our audit, the following issues were identified related to federal grant reimbursements:

Failure to Accrue Grant Receivables: Grant receivables totaling \$63,212 for allowable costs incurred during 2024 were not accrued as of December 31, 2024.

Misstatement of 2023 Revenue: Grant receipts of \$175,677 were recognized as revenue in 2024, but were related to allowable costs incurred in 2023.

Improper Recognition of Conditional Grant Funds: Grant receipts of \$266,808 were recognized as revenue in 2024. However, the grant agreement stipulated that if the project was not advertised for bids within 24 months of signing, funds disbursed for planning and design were subject to full repayment. As of December 31, 2024, the project had not been publicly advertised for bids. The grant receipts should have been recorded to refundable grant advances (liability) due to the potential of repayment.

Criteria: In accordance with Generally Accepted Accounting Principles (GAAP), the District must recognize grant revenue when all eligibility requirements are met, including incurring allowable costs for reimbursement-type grants. Grant receivables should be accrued when allowable costs are incurred, regardless of when cash is received. Additionally, grant funds received that are subject to repayment conditions, such as failure to meet project milestones, should be recorded as refundable advances (liabilities) until conditions are satisfied.

Cause: The misstatements occurred because the District does not regularly receive federal funding. As a result, District personnel lacked familiarity with GAAP requirements for accrual-based accounting of grant reimbursements.

Effect: Material adjustments were needed to recognize revenue in accordance with GAAP for the 2024 financial statements and the previously issued 2023 financial statements were materially misstated and were required to be restated. Grants receivable and revenue were understated by \$175,677 as of December 31, 2023.

Recommendation:

Adopt Accrual-Based Grant Accounting: Implement procedures to accrue grant receivables as allowable costs are incurred, ensuring alignment with GAAP. Require monthly reconciliations of project costs to grant agreements to identify reimbursable amounts.

Review Grant Terms: Establish a process to review all grant agreements for eligibility and repayment conditions. Funds subject to unmet conditions, such as bidding milestones, should be recorded as refundable advances until conditions are satisfied.

Views of Responsible Officials and Planned Corrective Actions: The District will take the auditors' recommendation under advisement.