

**WEST DAVIESS COUNTY WATER DISTRICT**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020 AND 2019**

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Contents**  
**December 31, 2020 and 2019**

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## INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners  
West Daviess County Water District

### Report on the Financial Statements

We have audited the accompanying financial statements of West Daviess County Water District (District), a component unit of the Daviess County Fiscal Court, Kentucky, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of West Daviess County Water District as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–7 be presented to supplement the basic financial statements. Such information, 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.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West 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.

The Budgetary Comparison Schedule is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 dated March 19, 2021 on our consideration of West 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 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 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 West Daviess County Water District's internal control over financial reporting and compliance.



Owensboro, Kentucky  
March 19, 2021

## **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, 2020. Please read it in conjunction with the District's financial statements, which begin on page 8.

### **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 and operations of the District as of and for the years ended 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Current assets	\$ 2,868,272	\$ 2,609,926	\$ 258,346	9.90%
Restricted assets	469,639	448,149	21,490	4.80%
Net capital assets	<u>7,091,574</u>	<u>7,318,693</u>	(227,119)	-3.10%
Total assets	<u>\$ 10,429,485</u>	<u>\$ 10,376,768</u>	52,717	0.51%
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities	\$ 256,820	\$ 216,309	40,511	18.73%
Noncurrent liabilities	<u>114,840</u>	<u>110,300</u>	4,540	4.12%
Total liabilities	<u>371,660</u>	<u>326,609</u>	45,051	13.79%
<b>NET POSITION</b>				
Net investment in capital assets	7,091,574	7,318,693	(227,119)	-3.10%
Unrestricted	<u>2,966,251</u>	<u>2,731,466</u>	234,785	8.60%
Total net position	<u>10,057,825</u>	<u>10,050,159</u>	7,666	0.08%
Total liabilities and net position	<u>\$ 10,429,485</u>	<u>\$ 10,376,768</u>	52,717	0.51%
<b>REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>				
Operating revenues	\$ 2,112,085	\$ 2,018,570	\$ 93,515	4.63%
Operating expenses	<u>2,160,625</u>	<u>2,067,184</u>	93,441	4.52%
Loss from operations	<u>(48,540)</u>	<u>(48,614)</u>	74	-0.15%
Interest income	46,647	51,600	(4,953)	-9.60%
Interest expense	(1,972)	(3,054)	1,082	-35.43%
Loss on disposal of assets	<u>(1,124)</u>	<u>(143)</u>	(981)	686.01%
Net nonoperating expenses	<u>43,551</u>	<u>48,403</u>	(4,852)	-10.02%
Loss before capital contributions	(4,989)	(211)	(4,778)	2264.45%
Capital contributions	<u>12,655</u>	<u>270,647</u>	(257,992)	-95.32%
Change in net position	7,666	270,436	(262,770)	-97.17%
Net position, beginning of year	<u>10,050,159</u>	<u>9,779,723</u>		
Net position, end of year	<u>\$ 10,057,825</u>	<u>\$ 10,050,159</u>		

## FINANCIAL HIGHLIGHTS

- Net position increased \$7,666 in 2020 and the loss before capital contributions was \$4,989 in 2020. As compared to 2019 where net position increased \$270,436 and the loss before capital contributions was \$211.
- Operating revenues increased by \$93,515 or 4.63% in 2020 when compared to 2019. Water sales increased \$102,317 or 5.50% in 2020 when compared to 2019. The increase in water sales is primarily attributable to an increase in customer rates. Customer rates were increased to reflect a purchased water adjustment from the District's supplier. A customer rate adjustment went into effect June 1, 2020. On an annualized basis the customer rate increase is expected to increase revenues by 14%. The District's gallons sold to customers decreased 12,805,080 or 3.57% in 2020 when compared to 2019.
- Operating expenses increased \$93,441 or 4.52% in 2020 when compared to 2019. The most significant increases in operating expenses during 2020 when compared to 2019 were as follows:
  - Audit, accounting, and legal increased \$49,561 or 454.19%.
  - Depreciation increased \$31,229 or 10.05%.

Audit, accounting, and legal increased due to the District's attorney consulting on the Southeast and West Water Districts' merger plans.

Depreciation increased due to the AMI system's first full year of depreciation expense. The AMI system was placed into service June 30, 2019 for a total project cost of \$934,448. Depreciation expense related to the AMI project was \$46,722 in 2020 compared to \$23,361 in 2019.

West Daviess County Water District and Southeast Daviess County Water District share the same management, employees, and other shared operating expenses where applicable. Shared expenses are allocated to each District based on the number of each District's active meters. Effective July 1, 2019, both Districts agreed to change the cost allocation for shared expenses from 45/55 (West/Southeast) to 41/59 (West/Southeast). The change in the allocation decreased the District's share of payroll and other expenses by 4%.

## CAPITAL ASSETS

At the end of 2020, the District had \$7.1 million of net capital assets as compared to \$7.3 million in 2019. The following table summarizes the District's capital asset activity during 2020.

	Balance Dec. 31, 2019	Additions	Deletions	Balance Dec. 31, 2020
Capital assets not depreciated:				
Land	\$ 38,232	\$ -	\$ -	\$ 38,232
Construction in progress	-	4,342	-	4,342
Total capital assets not depreciated:	<u>38,232</u>	<u>4,342</u>	<u>-</u>	<u>42,574</u>
Capital assets depreciated:				
Buildings	164,270	-	-	164,270
Pumping stations	614,715	11,325	-	626,040
Equipment	1,229,037	16,436	11,757	1,233,716
Tanks, lines, meters and hydrants	10,386,217	97,775	12,568	10,471,424
Total capital assets depreciated	<u>12,394,239</u>	<u>125,536</u>	<u>24,325</u>	<u>12,495,450</u>
Less accumulated depreciation:				
Buildings	141,536	2,760	-	144,296
Pumping stations	349,624	17,580	-	367,204
Equipment	219,173	70,502	2,939	286,736
Tanks, lines, meters and hydrants	4,403,445	251,053	6,284	4,648,214
Total accumulated depreciation	<u>5,113,778</u>	<u>341,895</u>	<u>9,223</u>	<u>5,446,450</u>
Total capital assets depreciated, net	<u>7,280,461</u>	<u>(216,359)</u>	<u>15,102</u>	<u>7,049,000</u>
Total capital assets, net	<u>\$ 7,318,693</u>	<u>\$ (212,017)</u>	<u>\$ 15,102</u>	<u>\$ 7,091,574</u>

### Capital Asset Additions

Significant capital asset additions were as follows:

- Meters and meter installations placed into service - \$87,749
- Radios placed into service - \$15,370

### Construction in Progress

At December 31, 2020, the District had \$4,342 in construction in progress for two separate projects respectively to provide water to unserved areas. The McFarland Road project is installation of 975 linear feet of 6" water line and 470 linear feet of 3" waterline also having two fire hydrants with a total estimated cost of \$40,000. The Highway 81 project is installation of 2,000 linear feet of 2" water line with a total estimated cost of \$9,500. All costs will be responsibility of the owner with the capital donated to the District upon acceptance.



## OUTLOOK

### Merger

Effective January 1, 2021 the District merged with the Southeast Daviess County Water District. The merged entity will thereafter be called the Daviess County Water District. The primary reason for the merger is for the interest of the general public. The board of commissioners and management believe the merger will eliminate duplication of costs and will result in increased operational efficiencies due to economies of scale, which will allow the merged entity to provide better service at less cost to the general public. The Districts entered into a merger agreement August 18, 2020. The Daviess County Fiscal Court approved the combining of the Districts' territories on December 3, 2020 (Executive Order 08-2020). The Public Service Commission approved the merger December 15, 2020 (Case No. 2020-287). By Order in Case No. 2020-287, both Water Systems will continue to charge their respective customers the rates and charges existing pre-merger until a full financial year of merged operations have transpired at which time the Daviess County Water District will apply to the Public Service Commission for a unified list of rates and charges for all customers. As of January 1, 2021, the impact of the merger was as follows:

**DAVIESS COUNTY WATER DISTRICT**  
**Consolidated Statements of Net Position**  
**January 1, 2021**

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

For the West Water System, we expect 2021 revenue to increase 20.7% due to a general rate adjustment approved by the Kentucky Public Service Commission for water sold after December 30, 2020 (PSC Order 2020-00196) and the residual effect of Owensboro Municipal Utilities' purchased water adjustment on June 1, 2020 as well as a projected June 1, 2021 increase in purchased water costs. Operating expenses are mainly expected to stabilize in 2021 except for water expense derived from the before-mentioned increases from Owensboro Municipal Utilities.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 352,978	\$ 239,173
Accounts receivable	258,827	206,040
Investments	2,079,151	2,040,490
Interest receivable	1,488	2,314
Prepaid insurance	2,831	5,261
Inventory	<u>172,997</u>	<u>116,648</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,868,272</u>	<u>2,609,926</u>
 <b>RESTRICTED ASSETS</b>		
Cash - Meter Setting Fund	64,392	84,052
Cash - Medical Reimbursement Fund	99,740	64,732
Accounts receivable	12,149	13,722
Investments - customer deposits	114,840	110,300
Investments - medical reimbursement	178,498	175,323
Interest receivable	<u>20</u>	<u>20</u>
<b>TOTAL RESTRICTED ASSETS</b>	<u>469,639</u>	<u>448,149</u>
 <b>CAPITAL ASSETS</b>		
Land	38,232	38,232
Water plant	12,495,450	12,394,239
Construction in progress	<u>4,342</u>	<u>-</u>
	12,538,024	12,432,471
Less accumulated depreciation	<u>(5,446,450)</u>	<u>(5,113,778)</u>
<b>NET CAPITAL ASSETS</b>	<u>7,091,574</u>	<u>7,318,693</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,429,485</u></u>	<u><u>\$ 10,376,768</u></u>

See accompanying notes.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

<b>Liabilities and Net Assets</b>	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 216,351	\$ 177,719
Accrued pension	17,156	16,947
Accrued school and sales taxes	5,909	5,034
Payroll taxes and withholding	6,106	5,650
Accrued payroll	9,608	9,446
 Current liabilities payable from restricted assets:		
Accounts payable	<u>1,690</u>	<u>1,513</u>
 <b>TOTAL CURRENT LIABILITIES</b>	<u>256,820</u>	<u>216,309</u>
 <b>NONCURRENT LIABILITIES</b>		
Customer deposits payable from restricted assets	<u>114,840</u>	<u>110,300</u>
 <b>TOTAL LIABILITIES</b>	<u>371,660</u>	<u>326,609</u>
 <b>NET POSITION</b>		
Net investment in capital assets	7,091,574	7,318,693
Unrestricted	<u>2,966,251</u>	<u>2,731,466</u>
 <b>TOTAL NET POSITION</b>	<u>10,057,825</u>	<u>10,050,159</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 10,429,485</u></u>	<u><u>\$ 10,376,768</u></u>

See accompanying notes.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 1,962,472	\$ 1,860,155
Tap on fees	72,755	79,000
Miscellaneous service revenues	<u>76,858</u>	<u>79,415</u>
<b>TOTAL OPERATING REVENUES</b>	<u>2,112,085</u>	<u>2,018,570</u>
<b>OPERATING EXPENSES</b>		
Audit, accounting, and legal	60,473	10,912
Bad debts	4,384	5,850
Depreciation	341,895	310,666
Education and seminars	520	-
Employee benefits	155,058	166,956
Engineering	187	-
Insurance	21,890	24,429
Materials, supplies, and repairs	57,516	55,546
Miscellaneous	13,584	6,243
Office supplies and expense	48,961	37,156
Payroll taxes	24,589	25,160
Phone and communication	5,026	4,566
PSC assessment	3,879	3,267
Rent of real estate	4,794	5,027
Salaries and wages	309,692	316,899
Transportation	22,575	23,698
Uniforms	2,854	2,884
Utilities	47,281	50,565
Water purchased	1,027,307	1,007,650
Water tests and meter service	<u>8,160</u>	<u>9,710</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,160,625</u>	<u>2,067,184</u>
<b>LOSS FROM OPERATIONS</b>	<u>(48,540)</u>	<u>(48,614)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	46,647	51,600
Interest expense	(1,972)	(3,054)
Loss on disposal of assets	<u>(1,124)</u>	<u>(143)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>43,551</u>	<u>48,403</u>
<b>LOSS BEFORE CONTRIBUTIONS</b>	<u>(4,989)</u>	<u>(211)</u>

See accompanying notes.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CONTRIBUTED CAPITAL REVENUE</b>		
Contributions in aid of construction	<u>\$ 12,655</u>	<u>\$ 270,647</u>
<b>TOTAL CONTRIBUTED CAPITAL REVENUE</b>	<u>12,655</u>	<u>270,647</u>
<b>CHANGE IN NET POSITION</b>	7,666	270,436
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>10,050,159</u>	<u>9,779,723</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 10,057,825</u></u>	<u><u>\$ 10,050,159</u></u>

See accompanying notes.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u> (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,065,411	\$ 2,015,045
Cash payments to employees for services	(491,886)	(512,266)
Cash payments for goods and services	<u>(1,340,252)</u>	<u>(1,255,982)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>233,273</u>	<u>246,797</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(113,569)	(233,172)
Proceeds from capital asset disposal	7,694	-
Interest paid	(1,972)	(3,054)
Capital contributions	<u>2,630</u>	<u>48,316</u>
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(105,217)</u>	<u>(187,910)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in investments - net	(46,376)	(249,717)
Interest on investments	<u>47,473</u>	<u>51,014</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>1,097</u>	<u>(198,703)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	129,153	(139,816)
<b>CASH AT BEGINNING OF YEAR</b>	<u>387,957</u>	<u>527,773</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 517,110</u></u>	<u><u>\$ 387,957</u></u>

See accompanying notes.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net loss from operations	<u>\$ (48,540)</u>	<u>\$ (48,614)</u>
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	341,895	310,666
(Increase) decrease in:		
Accounts receivable	(51,214)	(7,485)
Prepaid insurance	2,430	(155)
Inventory	(56,349)	7,097
Increase (decrease) in:		
Accounts payable	38,809	(18,101)
Accrued pension	209	(178)
Accrued school and sales tax	875	(204)
Accrued payroll	162	(36)
Payroll taxes and withholding	456	(153)
Customer deposits	<u>4,540</u>	<u>3,960</u>
Total adjustments	<u>281,813</u>	<u>295,411</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 233,273</u></u>	<u><u>\$ 246,797</u></u>

See accompanying notes.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

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

Nature of Business

The West 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 West Daviess County, Kentucky, and its sales are primarily to residential customers.

Proprietary Fund

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

Basis of Accounting

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

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

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

Regulation

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

Management Estimates

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

Cash Flows Information

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

Noncash financing activities for 2020 and 2019, representing water lines donated to the District, were \$10,025 and \$222,331, 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 based on a favorable history over a substantial period of time. If an account becomes more than sixty days overdue, it will be charged to operations using the direct write-off method.



**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**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 is capitalized.

Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$341,895 and \$310,666 for the years 2020 and 2019, respectively. Estimated useful lives of major class of the water plant in service are as follows:

Pumping system	10-50 years
Transmission and distribution system	30-70 years
General plant	5-30 years

Operating Revenue

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

Operating 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 – CASH DEPOSITS AND INVESTMENTS**

Cash at year end consists of:

	2020	2019
Cash	\$ 352,978	\$ 239,173
Cash - Meter Setting Fund	64,392	84,052
Cash - Medical Reimbursement Fund	99,740	64,732
	<u>\$ 517,110</u>	<u>\$ 387,957</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At December 31, 2020 and 2019, the amount of uninsured deposits not covered by federal deposit insurance collateralized by securities was \$267,151 and \$139,708, respectively.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

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

Investments

Investments consist of six certificates of deposit at local banks as of December 31, 2020. The first certificate of deposit has a value of \$496,141. This certificate pays an interest rate of 2.47% with a maturity date of February 13, 2021. The second certificate of deposit has a value of \$485,477. This certificate pays an interest rate of 0.30% with a maturity date of February 28, 2021. The third certificate of deposit has a value of \$494,631. This certificate pays an interest rate of 1.00% with a maturity date of May 18, 2021. The fourth certificate of deposit has a value of \$507,637. This certificate pays an interest rate of 1.70% with a maturity date of July 14, 2021. The fifth certificate of deposit has a value of \$178,498. This certificate pays an interest rate of 0.05% with a maturity date of October 30, 2021. The sixth certificate of deposit has a value of \$210,105. This certificate pays an interest rate of 2.81% with a maturity date of April 19, 2021.

Investments consist of six certificates of deposit at local banks as of December 31, 2019. The first certificate of deposit has a value of \$484,016. This certificate pays an interest rate of 2.47% with a maturity date of February 13, 2021. The second certificate of deposit has a value of \$477,135. This certificate pays an interest rate of 1.85% with a maturity date of November 21, 2020. The third certificate of deposit has a value of \$486,750. This certificate pays an interest rate of 2.42% with a maturity date of May 16, 2020. The fourth certificate of deposit has a value of \$498,615. This certificate pays an interest rate of 2.72% with a maturity date of January 13, 2020. The fifth certificate of deposit has a value of \$175,323. This certificate pays an interest rate of 2.05% with a maturity date of October 30, 2020. The sixth certificate of deposit has a value of \$204,274. This certificate pays an interest rate of 2.81% with a maturity date of April 19, 2021.

Investments are shown on the Statements of Net Position as:

	<u>2020</u>	<u>2019</u>
Investments	\$ 2,079,151	\$ 2,040,490
Investments - customer deposits	114,840	110,300
Investments - medical reimbursements	<u>178,498</u>	<u>175,323</u>
	<u>\$ 2,372,489</u>	<u>\$ 2,326,113</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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's investment policy only allows investment choices that are in compliance with the state statues. At December 31, 2020 and 2019, all investments held by the District were insured or collateralized with securities held by the District or by its agent in the District's name.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer. The District's investments consist of collateralized certificates of deposit at a local bank. The District does not have a credit risk policy.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE C – CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2020 and 2019 as follows:

	Balance Dec. 31, 2019	Additions	Deletions	Balance Dec. 31, 2020
Capital assets not depreciated:				
Land	\$ 38,232	\$ -	\$ -	\$ 38,232
Construction in progress	-	4,342	-	4,342
Total capital assets not depreciated:	<u>38,232</u>	<u>4,342</u>	<u>-</u>	<u>42,574</u>
Capital assets depreciated:				
Buildings	164,270	-	-	164,270
Pumping stations	614,715	11,325	-	626,040
Equipment	1,229,037	16,436	11,757	1,233,716
Tanks, lines, meters and hydrants	10,386,217	97,775	12,568	10,471,424
Total capital assets depreciated	<u>12,394,239</u>	<u>125,536</u>	<u>24,325</u>	<u>12,495,450</u>
Less accumulated depreciation:				
Buildings	141,536	2,760	-	144,296
Pumping stations	349,624	17,580	-	367,204
Equipment	219,173	70,502	2,939	286,736
Tanks, lines, meters and hydrants	4,403,445	251,053	6,284	4,648,214
Total accumulated depreciation	<u>5,113,778</u>	<u>341,895</u>	<u>9,223</u>	<u>5,446,450</u>
Total capital assets depreciated, net	<u>7,280,461</u>	<u>(216,359)</u>	<u>15,102</u>	<u>7,049,000</u>
Total capital assets, net	<u>\$ 7,318,693</u>	<u>\$ (212,017)</u>	<u>\$ 15,102</u>	<u>\$ 7,091,574</u>
	Balance Dec. 31, 2018	Additions	Deletions	Balance Dec. 31, 2019
Capital assets not depreciated:				
Land	\$ 38,232	\$ -	\$ -	\$ 38,232
Construction in progress	892,587	67,517	960,104	-
Total capital assets not depreciated:	<u>930,819</u>	<u>67,517</u>	<u>960,104</u>	<u>38,232</u>
Capital assets depreciated:				
Buildings	155,964	8,306	-	164,270
Pumping stations	614,715	-	-	614,715
Equipment	276,912	977,306	25,181	1,229,037
Tanks, lines, meters and hydrants	10,033,839	372,578	20,200	10,386,217
Total capital assets depreciated	<u>11,081,430</u>	<u>1,358,190</u>	<u>45,381</u>	<u>12,394,239</u>
Less accumulated depreciation:				
Buildings	138,458	3,078	-	141,536
Pumping stations	332,855	16,769	-	349,624
Equipment	197,702	46,509	25,038	219,173
Tanks, lines, meters and hydrants	4,169,235	244,310	10,100	4,403,445
Total accumulated depreciation	<u>4,838,250</u>	<u>310,666</u>	<u>35,138</u>	<u>5,113,778</u>
Total capital assets depreciated, net	<u>6,243,180</u>	<u>1,047,524</u>	<u>10,243</u>	<u>7,280,461</u>
Total capital assets, net	<u>\$ 7,173,999</u>	<u>\$ 1,115,041</u>	<u>\$ 970,347</u>	<u>\$ 7,318,693</u>

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

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

Construction in Progress

At December 31, 2020, the District had \$4,342 in construction in progress for two separate projects respectively to provide water to unserved areas. The McFarland Road project is installation of 975 linear feet of 6" water line and 470 linear feet of 3" waterline also having two fire hydrants with a total estimated cost of \$40,000. The Highway 81 project is installation of 2,000 linear feet of 2" water line with a total estimated cost of \$9,500. All costs will be responsibility of the owner with the capital donated to the District upon acceptance.

**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 2020 and 2019 were \$33,805 and \$33,870, respectively. Accrued pension expense for the Plan as of December 31, 2020 and 2019 was \$17,156 and \$16,947, respectively. Pentegra Services, Inc. is the administrator of the funds. Mass Mutual Financial Group is the custodian of the funds.

During 2020 and 2019, 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 contributions to the deferred compensation plan for 2020 and 2019 were \$8,966 and \$9,089 respectively. Pentegra Services, Inc. is the administrator of this retirement plan. Mass Mutual Financial Group is the custodian of the fund.

**NOTE E – RESTRICTED ASSETS**

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

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

The District bills and performs collections for sewer charges on behalf of the Regional Water Resource Agency (RWRA), a regional provider of comprehensive wastewater services for Daviess County, Kentucky.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE F – RWRA ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE (continued)**

Accounts receivable and accounts payable related to RWRA as of December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Accounts receivable - RWRA	\$ 97,245	\$ 81,534
Accounts receivable - District	<u>161,582</u>	<u>124,506</u>
Total accounts receivable	<u><u>\$ 258,827</u></u>	<u><u>\$ 206,040</u></u>
	<u>2020</u>	<u>2019</u>
Accounts payable - RWRA	\$ 85,592	\$ 70,876
Accounts payable - District	<u>130,759</u>	<u>106,843</u>
Total accounts payable	<u><u>\$ 216,351</u></u>	<u><u>\$ 177,719</u></u>

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

Contributions in aid of construction represent additions to water plant through extensions of the water distribution system. These additions are funded by individual users through payments made directly to the District or to independent contractors. Contributions to the water distribution system amounted to \$12,655 for 2020 and \$270,647 for 2019.

**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 – OPERATING AND ADMINISTRATION EXPENSES**

The District shares office space and personnel with the Southeast Daviess County Water District. Administrative expenses and operating salaries and wages are allocated between the two water districts based upon the number of active meters for each District. Prior to July 1, 2019, 45% of those expenses are allocated to the District. After July 1, 2019, 41% of those expenses were allocated to the District.

**NOTE J – LEASING ARRANGEMENTS**

The District conducts its operations from facilities which are constructed upon land leased for a period of five years commencing March 1, 2017. The lease provides that the lessee shall have the right to extend this lease for additional five-year periods with a 10% adjustment to the monthly rent. Unless notice is given to cancel this lease sixty (60) days before the end of the original period or any extension thereof, then such extension shall be automatic. The monthly rent is \$974, however, the District's share is 41% (45% prior to July 1, 2019) or \$399 monthly. Rental expense was \$4,794 and \$5,027 for 2020 and 2019.

The following is a schedule of future minimum rental payments required under the above lease as of December 31, 2020.

<u>Year Ended December 31</u>	<u>Amount</u>
2021	\$ 4,788
2022	<u>2,022</u>
	<u><u>\$ 6,810</u></u>

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE K – SUPPLIER**

The District purchases all of its water for resale from the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU). Total purchases from OMU for 2020 and 2019 were \$1,027,307 and \$1,007,650, respectively. Amounts payable to OMU at year-end for 2020 and 2019 were \$86,735 and \$77,007, respectively.

**NOTE L – 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 M – 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.

Included in restricted net position at December 31,

	2020	2019
Investments - Customer Deposits	\$ 114,840	\$ 110,300
Less: Restricted Liabilities	<u>(114,840)</u>	<u>(110,300)</u>
Restricted Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NOTE N – COMMITMENTS AND CONTINGENCIES**

Medical Expense Reimbursement Plan

The District provides a medical reimbursement plan (MERP) to its employees. The plan reimburses employees for medical and hospital expenses incurred by themselves and their dependents from December 1 to November 30 in any calendar year, but not to exceed \$3,000 for single employee or \$6,000 for family plan (or current health plan's out-of-pocket maximum less \$1,000 for single plan and \$2,000 for family plan) per plan year. The reimbursements exclude insurable and eligible medical and hospital expenses available to employees under the District's group insured health plan. This plan also excludes employee dental expenses and expenses for prescription and non-prescription drugs. The District has established a reserve consisting of cash and cash equivalents to cover future medical reimbursements which, as of December 31, 2020 and 2019, totaled \$278,238 and \$240,055. For the years ended December 31, 2020 and 2019 medical reimbursements paid to employees were \$13,166 and \$12,280, respectively. There were no significant outstanding medical reimbursements to employees as of December 31, 2020 and 2019.

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

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

Water Purchases

The District purchases water monthly from Owensboro Municipal Utilities (OMU). 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, 2020 and 2019, the total amount underpaid by the District was \$195,913 and \$125,335. The District has not recognized a contingency on their records since this amount cannot be reasonably estimated as of December 31, 2020 and 2019.

**NOTE O – MERGER**

On August 18, 2020 the District entered into a merger agreement with Southeast Daviess County Water District. The merged entity will thereafter be called the Daviess County Water District. The primary reason for the merger is for the interest of the general public. The board of commissioners and management believe the merger will eliminate duplication of costs and will result in increased operational efficiencies due to economies of scale, which will allow the merged entity to provide better service at less cost to the general public. The Daviess County Fiscal Court approved the combining of the Districts' territories on December 3, 2020 (Executive Order 08-2020). The Public Service Commission approved the merger December 15, 2020 (Case No. 2020-287).

**NOTE P – SUBSEQUENT EVENTS**

Merger

Effective January 1, 2021 the District merged with the Southeast Daviess County Water District. As of January 1, 2021, the impact of the merger was as follows:

**DAVIESS COUNTY WATER DISTRICT**  
**Consolidated Statements of Net Position**  
**January 1, 2021**

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

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**NOTE P – SUBSEQUENT EVENTS (continued)**

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. On March 13, 2020, the President of the United States declared a national emergency to confront the potential public health crisis. Due to the current uncertainties surrounding COVID-19, the District is unable to determine the short or long-term impacts, however it is reasonable to assume operations will be disrupted in the short-term as a result. Management believes the District is in sound financial condition to handle any negative effects caused by the public health crisis.

The District did not have any other subsequent events through March 19, 2021, 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, 2020.



## **SUPPLEMENTARY INFORMATION**

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2020**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>OPERATING REVENUES</b>	<u>\$ 2,268,000</u>	<u>\$ 2,268,000</u>	<u>\$ 2,112,085</u>	<u>\$ (155,915)</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance expense	1,920,300	1,979,800	1,814,851	164,949
Depreciation expense	330,000	330,000	341,895	(11,895)
Taxes other than income	<u>3,500</u>	<u>3,500</u>	<u>3,879</u>	<u>(379)</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,253,800</u>	<u>2,313,300</u>	<u>2,160,625</u>	<u>152,675</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>14,200</u>	<u>(45,300)</u>	<u>(48,540)</u>	<u>(3,240)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	48,500	48,500	46,647	(1,853)
Interest expense	(3,000)	(3,000)	(1,972)	1,028
Loss on disposal of asset	<u>-</u>	<u>-</u>	<u>(1,124)</u>	<u>(1,124)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>45,500</u>	<u>45,500</u>	<u>43,551</u>	<u>(825)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>59,700</u>	<u>200</u>	<u>(4,989)</u>	<u>(5,189)</u>
<b>CONTRIBUTED CAPITAL REVENUE</b>	<u>30,000</u>	<u>30,000</u>	<u>12,655</u>	<u>(17,345)</u>
<b>CHANGE IN NET POSITION</b>	<u><u>\$ 89,700</u></u>	<u><u>\$ 30,200</u></u>	<u><u>\$ 7,666</u></u>	<u><u>\$ (22,534)</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  
West 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 West Daviess County Water District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the West Daviess 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Daviess County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Daviess County Water District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the West 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Altaden & Company CPAs PSC*

Owensboro, Kentucky  
March 19, 2021

**WEST DAVIESS COUNTY WATER DISTRICT**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2020**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE