

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS

AND

OTHER INFORMATION

DECEMBER 31, 2021 AND 2020

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Contents
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Members
East Daviess County Water Association, Inc.

Opinion

We have audited the accompanying financial statements of East Daviess County Water Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Daviess County Water Association as of December 31, 2021 and 2020, and the changes in its net assets 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Daviess County Water Association 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 East Daviess County Water Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 East Daviess County Water Association'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 East Daviess County Water Association'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022 on our consideration of East Daviess County Water Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Daviess County Water Association'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 East Daviess County Water Association's internal control over financial reporting and compliance.



Owensboro, Kentucky
March 15, 2022

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,295,525	\$ 1,055,158
Accounts receivable trade	207,791	193,846
Less: allowance for doubtful accounts	(13,262)	(19,560)
Other receivables	324	155
Inventory	185,991	177,436
Prepaid insurance	13,021	14,989
Other current assets	7,243	7,243
	TOTAL CURRENT ASSETS	1,429,267
	1,696,633	1,429,267
OTHER ASSETS		
Cash - reserve fund, restricted	34,594	33,716
Cash - security deposit fund, restricted	41,449	41,129
	TOTAL OTHER ASSETS	74,845
	76,043	74,845
CAPITAL ASSETS		
Property and equipment	12,818,258	12,657,205
Less: accumulated depreciation	(6,181,466)	(5,984,070)
	TOTAL CAPITAL ASSETS	6,673,135
	6,636,792	6,673,135
TOTAL ASSETS	\$ 8,409,468	\$ 8,177,247

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 76,392	\$ 94,752
Accounts payable - RWRA	14,164	14,818
Accrued taxes	4,801	4,393
Accrued interest	6,984	6,984
Customer deposits	33,444	32,457
Accrued payroll and payroll taxes	22,260	24,644
Current portion of long-term debt	10,552	10,101
	168,597	188,149
LONG-TERM DEBT, net of current portion	339,186	354,896
TOTAL LIABILITIES	507,783	543,045
NET ASSETS		
Without donor restrictions		
Federal grants	1,807,300	1,807,300
State and local grants	2,343,641	2,343,641
Contributions in aid	3,315,252	3,243,725
Appropriated	76,043	74,845
Unappropriated	359,449	164,691
	7,901,685	7,634,202
TOTAL NET ASSETS	7,901,685	7,634,202
TOTAL LIABILITIES AND NET ASSETS	\$ 8,409,468	\$ 8,177,247

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Activities
Years ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUE		
Water sales	\$ 1,943,226	\$ 1,852,005
Miscellaneous service revenue	84,933	54,529
	2,028,159	1,906,534
OPERATING EXPENSES		
Bad debts	9,375	21,736
Depreciation	239,075	242,770
Directors' fees	15,500	15,750
Insurance	167,919	206,019
Legal and accounting	29,359	30,737
Miscellaneous	20,818	24,130
Office supplies and postage	55,126	60,024
Payroll taxes and fringe benefits	42,317	39,580
PSC assessment	3,813	3,670
Repairs	100,510	131,189
Salaries and wages	388,386	409,101
Telephone	11,239	9,026
Transportation	31,735	18,858
Utilities	43,803	43,608
Water purchased	650,219	563,394
Water testing	6,123	7,528
	1,815,317	1,827,120
INCOME FROM OPERATIONS	212,842	79,414
OTHER INCOME (EXPENSE)		
Loss on disposal of assets	(7,450)	(4,644)
Interest earned on investments	6,533	10,055
Interest expense	(15,969)	(18,887)
	(16,886)	(13,476)
NET INCOME	\$ 195,956	\$ 65,938

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statement of Functional Expenses
Year ended December 31, 2021

	Operating	General and Administrative	Total
Bad debts	\$ 9,375	\$ -	\$ 9,375
Depreciation	227,484	11,591	239,075
Directors' fees	-	15,500	15,500
Insurance	162,882	5,037	167,919
Legal and accounting	-	29,359	29,359
Miscellaneous	6,224	14,594	20,818
Office supplies and postage	-	55,126	55,126
Payroll taxes and fringe benefits	33,302	9,015	42,317
PSC assessment	-	3,813	3,813
Repairs	99,505	1,005	100,510
Salaries and wages	305,646	82,740	388,386
Telephone	-	11,239	11,239
Transportation	31,735	-	31,735
Utilities	42,489	1,314	43,803
Water purchased	650,219	-	650,219
Water testing	6,123	-	6,123
Total Expenses	\$ 1,574,984	\$ 240,333	\$ 1,815,317

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statement of Functional Expenses
Year ended December 31, 2020

	Operating	General and Administrative	Total
Bad debts	\$ 21,736	\$ -	\$ 21,736
Depreciation	231,000	11,770	242,770
Directors' fees	-	15,750	15,750
Insurance	199,839	6,180	206,019
Legal and accounting	-	30,737	30,737
Miscellaneous	7,214	16,916	24,130
Office supplies and postage	-	60,024	60,024
Payroll taxes and fringe benefits	31,148	8,432	39,580
PSC assessment	-	3,670	3,670
Repairs	129,877	1,312	131,189
Salaries and wages	321,948	87,153	409,101
Telephone	-	9,026	9,026
Transportation	18,858	-	18,858
Utilities	42,300	1,308	43,608
Water purchased	563,394	-	563,394
Water testing	7,528	-	7,528
Total Expenses	\$ 1,574,842	\$ 252,278	\$ 1,827,120

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Statements of Changes in Net Assets

Years ended December 31, 2021 and 2020

	<u>Federal Grants</u>	<u>State and Local Grants</u>	<u>Contributions in Aid</u>	<u>Appropriated</u>	<u>Unappropriated</u>
BALANCES, DECEMBER 31, 2019	\$ 1,807,300	\$ 2,343,641	\$ 3,141,137	\$ 73,070	\$ 100,528
Net change in unappropriated net assets	-	-	-	-	65,938
Transfer to (from) reserves	-	-	-	1,775	(1,775)
Contributions	-	-	102,588	-	-
Change in net assets without donor restrictions	-	-	102,588	1,775	64,163
BALANCES, DECEMBER 31, 2020	<u>1,807,300</u>	<u>2,343,641</u>	<u>3,243,725</u>	<u>74,845</u>	<u>164,691</u>
Net change in unappropriated net assets	-	-	-	-	195,956
Transfer to (from) reserves	-	-	-	1,198	(1,198)
Contributions	-	-	71,528	-	-
Change in net assets without donor restrictions	-	-	71,528	1,198	194,758
BALANCES, DECEMBER 31, 2021	<u><u>\$ 1,807,300</u></u>	<u><u>\$ 2,343,641</u></u>	<u><u>\$ 3,315,252</u></u>	<u><u>\$ 76,043</u></u>	<u><u>\$ 359,449</u></u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Cash Flows
Years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 195,956	\$ 65,938
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	239,075	242,770
Loss on disposal of assets	7,450	4,644
Reserve for bad debts	(6,298)	2,986
(Increase) decrease in:		
Accounts receivable	(13,945)	11,352
Other receivable	(169)	-
Inventory	(8,555)	(64,020)
Prepaid insurance	1,968	4,754
Increase (decrease) in:		
Accounts payable	(19,014)	27,307
Accrued taxes payable	408	112
Customer deposits	987	1,250
Accrued payroll and payroll taxes	(2,384)	(1,070)
NET CASH PROVIDED BY OPERATING ACTIVITIES	395,479	296,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from scrapping meters	10,058	-
Payments for the purchase of property	(220,241)	(181,557)
NET CASH USED IN INVESTING ACTIVITIES	(210,183)	(181,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(15,259)	(151,944)
Contribution in aid of construction	71,528	102,588
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	56,269	(49,356)
INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	241,565	65,110
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,130,003	1,064,893
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,371,568	\$ 1,130,003

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

East Daviess County Water Association, Inc. (the "Water Association") is a water utility which operates in rural sections of Daviess, Hancock, and Ohio Counties of Kentucky, and its sales are primarily to residential customers.

Reporting Entity

East Daviess County Water Association, Inc. was created and organized as a non-profit association and is exempt from income tax under section 501(c)12 of the Internal Revenue Code.

The Water Association files an income tax return in the U.S. federal jurisdiction and the state of Kentucky. The Water Association generally is no longer subject to income tax examinations by tax authorities for years before 2017. Management believes there are no tax positions that meet the more likely than not threshold for disclosure in these financial statements.

Basis of Accounting

The Water Association maintains its accounting records on the accrual basis of accounting.

The Water Association records revenue as billed to its customers based on monthly meter reading cycles. At the end of each year, water service which has been rendered from the latest date of each meter reading to December 31, is unbilled.

The statements of activities report all revenues and expenses as operating, except interest income and interest expense.

Basis of Presentation

The Water Association is required to report information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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.

Regulation

The Water Association'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 Water Association's accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the Public Service Commission which conform to generally accepted accounting principles in all material respects.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Water Association recognizes revenue when performance obligations are satisfied. Generally, the Water Association's performance obligations are satisfied when control of water services are transferred. Revenue is recognized on a monthly basis after the service has been provided. Because customers are billed after the service has been provided, the Water Association's right to consideration is unconditional. Customers are billed monthly and payment is expected within 30 days. Any amounts that have been collected for services, where control has not transferred, are recorded as security deposits or unearned revenues (contract liabilities).

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is stated at net realizable value and consists of water sales to residential, commercial, industrial, agricultural and other customers. The allowance for doubtful accounts is computed based on the aging of outstanding accounts receivable and historical collections experience and represents in management's opinion, an adequate allowance to provide for probable uncollectible accounts. Accounts receivable for the previous month's billing are considered past due after the 15th of the current month. Any inactive, unpaid accounts from the previous year are written off in the last quarter of the current year.

Inventory

Inventory consists of materials and supplies which are stated at lower of cost (determined on the first-in, first-out basis) or net realizable value. Salvaged meters as well as newly purchased meters not yet installed are included in inventory at the end of each year.

Property and Equipment

Property and equipment are stated at original cost or fair value if contributed. For self-constructed assets, the cost of labor is not capitalized. It is the Water Association's policy to capitalize property or equipment over \$500. Depreciation expense is computed on the straight-line method.

Depreciation expense for the years ended December 31, 2021 and 2020 was \$239,075 and \$242,770, respectively. Estimated useful lives of major components of the utility plant in service are determined by the Kentucky Public Service Commission. The adjusted useful lives are as follows:

Water pumps and equipment	20 years
Service equipment	22.5 years
Land improvements	25 years
Meters	40 years
Water reservoirs	50 years
Water lines	62.5 years

Impairment of Long-Lived Assets

Management periodically evaluates whether events or circumstances have occurred that indicate that excess of cost over net assets acquired and other long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, management assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Flows Information

For purposes of the Statements of Cash Flows, the Water Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash paid for interest for 2021 and 2020 was \$15,969 and \$18,887, respectively. The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the totals of the same amounts presented in the statements of cash flows.

	2021	2020
Cash and cash equivalents	\$ 1,295,525	\$ 1,055,158
Cash reserve fund	34,594	33,716
Cash security deposit fund	41,449	41,129
	\$ 1,371,568	\$ 1,130,003

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are partially attributable to Operations (water sales and distribution) as well as General and Administrative. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits for management and some office personnel, which are allocated based on estimates of time expended for each function. Additionally, some office and general expenses are allocated based on management estimates.

NOTE B - RESTRICTED CASH

Cash is restricted as follows: (1) Reserve fund cash is restricted pursuant to a loan agreement with the U.S. Department of Agriculture, Rural Development; and (2) Security deposit fund cash consists of security deposits paid by customers.

NOTE C – REVENUE FROM CUSTOMER CONTRACTS

Contract Receivables and Liabilities

Contract receivables and contract liabilities with customers consist of the following as of December 31:

	Accounts Receivables		Security Deposits	
	2021	2020	2021	2020
Beginning of year	\$ 193,846	\$ 205,198	\$ 32,457	\$ 31,207
End of year	207,791	193,846	33,444	32,457

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE C – REVENUE FROM CUSTOMER CONTRACTS (continued)

Disaggregated Revenue by Customer:

Water sales consisted of the following at December 31:

	Water Sales	
	2021	2020
Residential	\$ 1,845,918	\$ 1,755,541
Commercial	66,046	69,767
Industrial and other types	31,262	26,697
	\$ 1,943,226	\$ 1,852,005

NOTE D - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2021	2020
Note payable to U.S. Department of Agriculture, Rural Development with interest at the rate of 4.375% per annum, due in annual installments of \$31,228, including interest through August 7, 2046.	\$ 349,738	\$ 364,997
	349,738	364,997
Less: Current portion	10,552	10,101
	\$ 339,186	\$ 354,896

U.S. Department of Agriculture, Rural Development holds a mortgage on substantially all assets of the Water Association. The Water Association's loan agreement includes various covenants, including a provision that it will not borrow any money from any source or enter into any contract agreement or incur any other liabilities in connection with making extensions or improvements to the facility, exclusive of normal maintenance, without obtaining the prior written consent of the Mortgagee. The cash reserve fund associated with the U.S. Department of Agriculture, Rural Development loan is fully funded. The Reserve Fund shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by unforeseen catastrophe, for making extensions or improvements to the facility with the prior written approval of the U.S. Department of Agriculture, Rural Development, and when necessary, for the purpose of making debt service payments on the U.S. Department of Agriculture, Rural Development note in the event funds are not available from current operating funds.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE D - LONG-TERM DEBT (continued)

Maturities of notes payable are as follows:

Year Ended December 31	Amount
2022	\$ 10,552
2023	11,023
2024	11,515
Thereafter	316,648
	\$ 349,738

NOTE E – PROPERTY AND EQUIPMENT

The major classes of property and equipment at December 31, 2021 and 2020 consist of the following:

	2021	2020
Pumping system	\$ 467,576	\$ 467,576
Transmission and distribution system	11,384,109	11,199,663
General plant	966,573	989,966
	\$ 12,818,258	\$ 12,657,205

NOTE F – INCOME TAX STATUS

The Water Association maintains the tax position that it is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made. The Water Association did not pay any interest or penalty as a result of its tax position. The tax years 2019 through 2021 remain subject to examination by the Internal Revenue Service.

NOTE G – WATER SUPPLY CONTRACT

On May 14, 1992 the Water Association entered into a 50 year water supply contract with the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU). The primary point of delivery of water to the Water Association occurs at OMU's water plant located near Elmer Smith Power Plant. The rate charged to the Water Association by OMU consists of both fixed and variable cost components. Under certain circumstances the Water Association may be required by OMU to impose usage restrictions on its customer. The Water Association purchases either directly or indirectly all of its water for resale from OMU. Purchases for the years ended December 31, 2021 and 2020 were \$650,219 and \$563,394, respectively.

NOTE H - CONCENTRATION OF CREDIT RISK

At December 31, 2021 and 2020, the Water Association's bank balance of cash and cash equivalents totaled \$1,397,873 and \$1,168,138, respectively.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE H - CONCENTRATION OF CREDIT RISK (continued)

Insured and uninsured cash balances were as follows:

	2021	2020
Insured	\$ 1,397,873	\$ 1,165,355
Uninsured	-	2,783
Total bank balances	\$ 1,397,873	\$ 1,168,138

NOTE I – MEDICAL EXPENSE REIMBURSEMENT PLAN

The Water Association provides a medical reimbursement plan (MERP) to its employees. This plan was implemented to provide quality medical coverage for the Water Association’s employees while decreasing the Water Association’s overall medical insurance expense. 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 \$6,000 for single employee or \$12,000 for family plan per plan year. The reimbursements exclude insurable and eligible medical, prescription, and hospital expenses available to employees under the Water Association’s group insured health plan. This plan also excludes employee dental expenses and expenses for non-prescription drugs. For the years ended December 31, 2021 and 2020, medical reimbursements paid to employees were \$11,189 and \$21,801, respectively.

NOTE J – RETIREMENT PLAN

The Water Association maintains a voluntary Simple IRA Plan for all full-time employees. Employees may elect to participate immediately upon employment. The Water Association matches the employees’ contribution up to 3% of their compensation. Vesting takes place immediately. The Water Association’s contributions were \$11,716 and \$12,188 for the years ended December 31, 2021 and 2020, respectively.

NOTE K – COMMITMENTS AND CONTINGENCIES

Property & Equipment

As of December 31, 2021, the Water Association had a commitment to a vendor to purchase a vehicle in the amount of \$33,373.

Purchased Water

The Water Association purchases water from Owensboro Municipal Utilities (OMU). The amount paid to OMU is for the Water Association’s estimated usage. Since the estimated usage differs from actual usage, the Water Association has overpaid or underpaid OMU for their water purchases. The difference is applied to future water purchases. OMU calculates the difference as of the end of their fiscal year (May 31st) and the information is not available for the Water Association’s calendar year.

As of May 31, 2021 and 2020, the amount payable to OMU for additional water charges was \$82,459 and \$33,385, respectively. The Water Association has not recognized a gain or loss contingency on their records since the amount cannot be reasonably estimated as of December 31, 2021 and 2020.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Water Association’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2021	2020
Financial assets, at year end:		
Cash	\$ 1,371,568	\$ 1,130,003
Accounts receivable, net	194,529	174,286
Other receivables	324	155
Total financial assets, at year end	1,566,421	1,304,444
Less those unavailable for general expenditure within one year:		
Cash restricted for loan covenants	(34,594)	(33,716)
Cash restricted for customer security deposits	(41,449)	(41,129)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,490,378	\$ 1,229,599

The Water Association’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2021	2020
Financial assets, at year end:		
Cash	\$ 1,295,525	\$ 1,055,158
Accounts receivable, net	194,529	174,286
Other receivables	324	155
Total financial assets, at year end	\$ 1,490,378	\$ 1,229,599

NOTE M – SUBSEQUENT EVENTS

The Water Association did not have any subsequent events through March 15, 2022, which is the date the financial statements were available to be issued requiring recording or disclosure in the financial statements for the year ended December 31, 2021.

OTHER INFORMATION

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Insurance
December 31, 2021

<u>Coverage</u>	<u>Amount of Coverage</u>
Workmen's Compensation	\$ 500,000 limit per occurrence
General Liability	\$ 1,000,000 limit per occurrence \$ 3,000,000 limit in aggregate
Property and Contents	\$ 3,558,963 limit
Cyber Liability	\$ 1,000,000 limit
Employee Dishonesty	\$ 250,000 limit
Automobile Liability	\$ 1,000,000 limit per accident
Umbrella Coverage	\$ 2,000,000 limit per occurrence \$ 2,000,000 limit in aggregate

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Rates
December 31, 2021

<u>Tap-on Fees</u>	<u>Charge</u>
5/8" x 3/4" Meter	\$ 1,000
All larger meters	Actual Cost
Monthly rates	
<u>5/8" Meter</u>	
First 2,000 gallons	\$18.46 (Minimum Bill)
Next 4,000 gallons	6.56 per 1,000 gallons
Next 44,000 gallons	5.47 per 1,000 gallons
Over 50,000 gallons	4.67 per 1,000 gallons
<u>3/4" Meter</u>	
First 3,000 gallons	\$25.02 (Minimum Bill)
Next 3,000 gallons	6.56 per 1,000 gallons
Next 44,000 gallons	5.47 per 1,000 gallons
Over 50,000 gallons	4.67 per 1,000 gallons
<u>1" Meter</u>	
First 6,000 gallons	\$44.70 (Minimum Bill)
Next 44,000 gallons	5.47 per 1,000 gallons
Over 50,000 gallons	4.67 per 1,000 gallons
<u>1-1/2" Meter</u>	
First 10,000 gallons	\$66.58 (Minimum Bill)
Next 40,000 gallons	5.47 per 1,000 gallons
Over 50,000 gallons	4.67 per 1,000 gallons
<u>2" Meter</u>	
First 20,000 gallons	\$121.28 (Minimum Bill)
Next 30,000 gallons	5.47 per 1,000 gallons
Over 50,000 gallons	4.67 per 1,000 gallons



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 Directors
East Daviess County Water Association, Inc.

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 East Daviess County Water Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Daviess County Water Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Daviess County Water Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Daviess County Water Association'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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matter

As part of obtaining reasonable assurance about whether East Daviess County Water Association'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*.

East Daviess County Water Association's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the East Daviess County Water Association's response to the findings identified in our audit and described in the accompanying schedule of findings. East Daviess County Water Association 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Altada & Company CPAS PSC". The signature is written in a cursive style.

Owensboro, Kentucky
March 15, 2022

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Findings and Responses
Year Ended December 31, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001 Significant Deficiency:

Segregation of Duties

Condition: The small size of the Association's bookkeeping staff limits the extent of the separation of duties. Presently, the Association's bookkeeper's responsibilities include cash disbursements functions, billing, preparing the bank reconciliations and accounting functions. There has been significant improvement in the segregation of duties regarding the cash receipts function. However, the segregation of duties, which is the basic premise of a good internal control structure, is not adequate.

Criteria: Internal controls should be in place that provide reasonable assurance that no one individual performs all the duties related to cash receipts and disbursements.

Cause: One employee performs the majority of the accounting functions due to the limited number of personnel in the office.

Effect: Transactions could be made without management's knowledge or approval.

Recommendation: Procedures should be implemented that require a greater segregation of duties involving cash receipts and disbursements.

Views of Responsible Officials and Planned Corrective Actions: Due to the limited number of personnel, management believes that an adequate segregation of duties is not achievable and that the costs of correcting the weakness would exceed the benefits that would be derived.

2021-002 Significant Deficiency:

Internal Control Over Financial Disclosures

Condition: The Association does not have defined monitoring controls in place to identify and assess disclosures in the financial statements.

Criteria: Internal controls should be in place to provide reasonable assurance that the disclosures in the financial statements are adequately updated.

Cause: Lack of expertise with footnote disclosures.

Effect: The financial statements are not complete or accurate if the disclosures have not been updated.

Recommendation: Personnel should receive training in order to update the financial statements disclosures.

Views of Responsible Officials and Planned Corrective Actions: Due to the limited number of personnel, management believes that the cost of the hiring and/or training someone to update the disclosures would not be cost effective at this time.