

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**AND**

**OTHER INFORMATION**

**DECEMBER 31, 2023 AND 2022**

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Contents**  
**December 31, 2023 and 2022**

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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, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, changes in net assets, 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, Inc. as of December 31, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Daviess County Water Association, Inc. 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, Inc.'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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, Inc.'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, Inc.'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 May 10, 2024 on our consideration of East Daviess County Water Association, Inc.'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, Inc.'s internal control over financial reporting and compliance.



Owensboro, Kentucky  
May 10, 2024

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,190,748	\$ 1,173,318
Investments	428,130	409,227
Accounts receivable, net of allowances for credit losses of \$17,989 and \$15,820, respectively	231,789	209,565
Other receivables	3,822	-
Inventory	126,084	140,272
Prepaid insurance	26,941	17,657
Other current assets	7,243	7,243
<b>TOTAL CURRENT ASSETS</b>	<b>2,014,757</b>	<b>1,957,282</b>
<b>OTHER ASSETS</b>		
Restricted cash - reserve fund	36,574	34,445
Restricted investments - security deposit fund	41,525	41,525
<b>TOTAL OTHER ASSETS</b>	<b>78,099</b>	<b>75,970</b>
<b>CAPITAL ASSETS</b>		
Property and equipment, net of accumulated depreciation of \$6,614,387 and \$6,395,697, respectively	8,369,471	6,583,254
Construction in progress	6,927	3,822
<b>TOTAL CAPITAL ASSETS</b>	<b>8,376,398</b>	<b>6,587,076</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,469,254</b>	<b>\$ 8,620,328</b>

See accompanying notes.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 90,610	\$ 82,453
Accounts payable - RWRA	2,288	3,268
Accrued taxes	6,874	5,702
Accrued interest	5,842	5,842
Customer deposits	36,242	33,415
Accrued payroll and payroll taxes	44,200	38,755
Current portion of long-term debt	17,351	16,624
<b>TOTAL CURRENT LIABILITIES</b>	203,407	186,059
<b>LONG-TERM DEBT, net of current portion</b>	299,837	317,187
<b>TOTAL LIABILITIES</b>	503,244	503,246
<b>NET ASSETS</b>		
Without donor restrictions:		
Federal grants	1,807,300	1,807,300
State and local grants	2,343,641	2,343,641
Contributions in aid	5,087,947	3,391,292
Appropriated	78,099	75,970
Unappropriated	649,023	498,879
<b>TOTAL NET ASSETS</b>	9,966,010	8,117,082
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 10,469,254	\$ 8,620,328

See accompanying notes.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Statements of Activities**  
**Years ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUE</b>		
Water sales	\$ 2,376,874	\$ 2,147,992
Miscellaneous service revenue	93,688	84,214
	<b>2,470,562</b>	<b>2,232,206</b>
<b>OPERATING EXPENSES</b>		
Bad debts	10,000	9,876
Depreciation	259,816	241,521
Directors' fees	15,500	15,750
Engineering	-	6,000
Employee benefits	151,810	149,704
Insurance	25,042	25,042
Legal and accounting	24,646	22,475
Miscellaneous	35,190	28,044
Office supplies and postage	89,183	66,457
Payroll taxes	40,269	35,652
PSC assessment	2,906	3,028
Repairs	79,861	133,391
Salaries and wages	523,069	471,614
Telephone	6,710	11,672
Transportation	29,249	39,577
Utilities	51,716	56,397
Water purchased	915,604	794,990
Water testing	10,713	6,329
	<b>2,271,284</b>	<b>2,117,519</b>
<b>INCOME FROM OPERATIONS</b>	<b>199,278</b>	<b>114,687</b>
<b>OTHER INCOME (EXPENSE)</b>		
Gain (loss) on disposal of assets	(98,129)	25,834
Net investment income	65,728	12,995
Interest expense	(14,604)	(14,159)
	<b>(47,005)</b>	<b>24,670</b>
<b>NET INCOME</b>	<b>\$ 152,273</b>	<b>\$ 139,357</b>

See accompanying notes.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Statement of Functional Expenses**  
**Year ended December 31, 2023**

	<u>Operating</u>	<u>General and Administrative</u>	<u>Total</u>
Bad debts	\$ 10,000	\$ -	\$ 10,000
Depreciation	247,219	12,597	259,816
Directors' fees	-	15,500	15,500
Employee benefits	119,930	31,880	151,810
Insurance	22,538	2,504	25,042
Legal and accounting	-	24,646	24,646
Miscellaneous	10,520	24,670	35,190
Office supplies and postage	-	89,183	89,183
Payroll taxes	31,813	8,456	40,269
PSC assessment	-	2,906	2,906
Repairs	79,062	799	79,861
Salaries and wages	411,636	111,433	523,069
Telephone	-	6,710	6,710
Transportation	29,249	-	29,249
Utilities	50,164	1,552	51,716
Water purchased	915,604	-	915,604
Water testing	10,713	-	10,713
	<u>1,938,449</u>	<u>332,835</u>	<u>2,271,284</u>
Total Expenses	<u>\$ 1,938,449</u>	<u>\$ 332,835</u>	<u>\$ 2,271,284</u>

See accompanying notes.



**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Statement of Functional Expenses**  
**Year ended December 31, 2022**

	<u>Operating</u>	<u>General and Administrative</u>	<u>Total</u>
Bad debts	\$ 9,876	\$ -	\$ 9,876
Depreciation	229,811	11,710	241,521
Directors' fees	-	15,750	15,750
Employee benefits	117,812	31,892	149,704
Engineering	6,000	-	6,000
Insurance	22,538	2,504	25,042
Legal and accounting	-	22,475	22,475
Miscellaneous	8,384	19,660	28,044
Office supplies and postage	-	66,457	66,457
Payroll taxes	28,165	7,486.92	35,652
PSC assessment	-	3,028	3,028
Repairs	132,057	1,334	133,391
Salaries and wages	371,143	100,471	471,614
Telephone	-	11,672	11,672
Transportation	39,577	-	39,577
Utilities	54,705	1,692	56,397
Water purchased	794,990	-	794,990
Water testing	6,329	-	6,329
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>\$ 1,821,387</u>	<u>\$ 296,132</u>	<u>\$ 2,117,519</u>

See accompanying notes.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**

**Statements of Changes in Net Assets**

**Years ended December 31, 2023 and 2022**

	<u>Federal Grants</u>	<u>State and Local Grants</u>	<u>Contributions in Aid</u>	<u>Appropriated</u>	<u>Unappropriated</u>	<u>Total</u>
<b>BALANCES, DECEMBER 31, 2021</b>	\$ 1,807,300	\$ 2,343,641	\$ 3,315,252	\$ 76,043	\$ 359,449	\$ 7,901,685
Net income	-	-	-	-	139,357	139,357
Transfer to (from) reserves	-	-	-	(73)	73	-
Contributions	-	-	76,040	-	-	76,040
<b>BALANCES, DECEMBER 31, 2022</b>	<u>1,807,300</u>	<u>2,343,641</u>	<u>3,391,292</u>	<u>75,970</u>	<u>498,879</u>	<u>8,117,082</u>
Net income	-	-	-	-	152,273	152,273
Transfer to (from) reserves	-	-	-	2,129	(2,129)	-
Contributions	-	-	1,696,655	-	-	1,696,655
<b>BALANCES, DECEMBER 31, 2023</b>	<u>\$ 1,807,300</u>	<u>\$ 2,343,641</u>	<u>\$ 5,087,947</u>	<u>\$ 78,099</u>	<u>\$ 649,023</u>	<u>\$ 9,966,010</u>

See accompanying notes.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Statements of Cash Flows**  
**Years ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 152,273	\$ 139,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	259,816	241,521
(Gain) loss on disposal of assets	98,129	(25,834)
Unrealized (gain) loss on investments	(3,119)	2,524
(Increase) decrease in:		
Accounts receivable	(22,224)	(15,036)
Other receivable	(3,822)	324
Inventory	14,188	45,719
Prepaid insurance	(9,284)	(4,636)
Increase (decrease) in:		
Accounts payable	7,177	(4,835)
Accrued taxes payable	1,172	901
Customer deposits	2,827	(29)
Accrued payroll and payroll taxes	5,445	16,495
Accrued interest payable	-	(1,142)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>502,578</u>	<u>395,329</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from investments	-	453,274
Purchase of investments	(15,784)	(454,904)
Proceeds from property and equipment disposals	3,559	9,236
Proceeds from insurance claims	7,083	18,399
Purchases of property and equipment	(516,216)	(193,606)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(521,358)</u>	<u>(167,601)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(16,623)	(15,927)
Contribution in aid of construction	54,962	76,040
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>38,339</u>	<u>60,113</u>
<b>INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<u>19,559</u>	<u>287,841</u>
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>1,207,763</u>	<u>919,922</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 1,227,322</u>	<u>\$ 1,207,763</u>

See accompanying notes.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**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.

Basis of Accounting

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

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.

Cash and Cash Equivalents

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. As of December 31, 2023 and 2022 cash and cash equivalents consisted of the following:

	2023	2022
Cash and cash equivalents	\$ 1,190,748	\$ 1,173,318
Restricted cash - reserve fund	36,574	34,445
Total cash and cash equivalents	\$ 1,227,322	\$ 1,207,763

Reserve fund cash is restricted pursuant to a loan agreement with the U.S. Department of Agriculture.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

Cash paid for interest for 2023 and 2022 was \$14,604 and \$15,301, respectively.

Noncash financing activities for 2023 and 2022, representing donated water lines to the Water Association were \$1,637,851 and \$0, respectively.

Accounts Receivable and Allowance for Credit Losses

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

Changes in the allowance for credit losses during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Balance, beginning of year	\$ (15,820)	\$ (13,262)
Bad debt expense	(10,000)	(9,876)
Write-offs	9,430	9,576
Recoveries	(1,599)	(2,258)
	\$ (17,989)	\$ (15,820)

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 \$2,000. Depreciation expense is computed on the straight-line method.

Depreciation expense for the years ended December 31, 2023 and 2022 was \$259,816 and \$241,521, 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

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

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.

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. Customers are billed based on their monthly usage at rates approved by the Kentucky Public Service Commission. 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).

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.

Income Taxes

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 2021 through 2023 remain subject to examination by the Internal Revenue Service.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Adoption of FASB ASU 2016-13 and Related Standards

At the beginning of 2023, the Water Association adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Water Association adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Water Association's financial statements but did change how the allowance for credit losses is determined.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**NOTE B - INVESTMENTS**

Investments consists of the following at December 31, 2023 and 2022:

<u>Investments:</u>	2023		
	<u>Carrying Value</u>	<u>Matures</u>	<u>Interest Rate</u>
Cash held at broker	\$ 68	NA	NA
Brokered certificate of deposit	10,003	6/28/2024	5.25%
Brokered certificate of deposit	234,075	6/28/2024	5.25%
Brokered certificate of deposit	225,509	10/23/2024	5.45%
Total investments	<u>\$ 469,655</u>		

2023	
<u>Statement of Financial Position:</u>	
Investments	\$ 428,130
Restricted investments - security deposit fund	41,525
Total investments	<u>\$ 469,655</u>

<u>Investments:</u>	2022		
	<u>Carrying Value</u>	<u>Matures</u>	<u>Interest Rate</u>
Cash held at broker	\$ 283	NA	NA
Brokered certificate of deposit	235,391	6/23/2023	2.90%
Brokered certificate of deposit	215,078	10/13/2023	4.05%
Total investments	<u>\$ 450,752</u>		

2022	
<u>Statement of Financial Position:</u>	
Investments	\$ 409,227
Restricted investments - security deposit fund	41,525
Total investments	<u>\$ 450,752</u>

Net investment income consists of the following at December 31, 2023 and 2022:

	2023	2022
Interest	\$ 62,609	\$ 15,519
Unrealized gains and losses	3,119	(2,524)
Net investment income	<u>\$ 65,728</u>	<u>\$ 12,995</u>

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**NOTE C – REVENUE FROM CUSTOMER CONTRACTS**

Contract Receivables and Liabilities

Contract receivables and contract liabilities with customers consists of the following as of December 31, 2023 and 2022:

	<u>Accounts Receivables</u>		<u>Security Deposits</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 209,565	\$ 194,529	\$ 33,415	\$ 33,444
End of year	231,789	209,565	36,242	33,415

Disaggregated Revenue by Customer:

Water sales consists of the following at December 31, 2023 and 2022:

	<u>Water Sales</u>	
	<u>2023</u>	<u>2022</u>
Residential	\$ 2,195,222	\$ 2,012,340
Commercial	117,120	80,863
Industrial and other types	64,532	54,789
Total water sales	<u>\$ 2,376,874</u>	<u>\$ 2,147,992</u>

**NOTE D – PROPERTY AND EQUIPMENT**

The major classes of property and equipment at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Pumping system	\$ 476,681	\$ 467,576
Transmission and distribution system	13,449,797	11,486,641
General plant	1,057,380	1,024,734
	<u>14,983,858</u>	<u>12,978,951</u>
Less accumulated depreciation	<u>(6,614,387)</u>	<u>(6,395,697)</u>
Property and equipment, net	<u>\$ 8,369,471</u>	<u>\$ 6,583,254</u>



**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**NOTE E - LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2023 and 2022:

	2023	2022
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.	\$ 317,188	\$ 333,811
Less: Current portion	(17,351)	(16,624)
Long-term debt, net of current portion	\$ 299,837	\$ 317,187

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.

Maturities of notes payable are as follows:

Year Ended December 31	Amount
2024	\$ 17,351
2025	18,110
2026	18,902
2027	19,729
2028	20,593
Thereafter	222,503
	\$ 317,188

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

Contributions in aid of construction includes money or other property contributed to the Water Association. For the years ended December 31, 2023 and 2022, contributions in aid of construction were \$1,696,655 and \$76,040, respectively.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**NOTE F – CONTRIBUTIONS IN AID OF CONSTRUCTION (continued)**

For the year ended December 31, 2023, monetary and noncash contributions were \$58,804 and \$1,637,851, respectively. The noncash contribution during 2023 was from the Daviess County Fiscal Court. The Daviess County Fiscal Court donated a project that included a new water main extension located along Short Station Road and Jack Hinton Road.

For the year ended December 31, 2022, monetary and noncash contributions were \$76,040 and \$0, respectively.

**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, 2023 and 2022 were \$915,604 and \$794,990, respectively.

**NOTE H - CONCENTRATION OF CREDIT RISK**

At December 31, 2023 and 2022, the Water Association's bank balance of cash and cash equivalents totaled \$1,737,484 and \$1,737,688, respectively. For 2023 and 2022, all amounts were insured by the FDIC.

**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, 2023 and 2022, medical reimbursements paid to employees were \$15,755 and \$17,577, 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 \$14,888 and \$13,229 for the years ended December 31, 2023 and 2022, respectively.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**NOTE K – 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.

	2023	2022
Financial assets, at year end:		
Cash	\$ 1,227,322	\$ 1,207,763
Investments	469,655	450,752
Accounts receivable, net	231,789	209,565
Other receivables	3,822	-
Total financial assets, at year end	1,932,588	1,868,080
Less those unavailable for general expenditure within one year:		
Cash restricted for loan covenants	(36,574)	(34,445)
Investments restricted for customer security deposits	(41,525)	(41,525)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,854,489	\$ 1,792,110

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

	2023	2022
Financial assets, at year end:		
Cash	\$ 1,190,748	\$ 1,173,318
Investments	428,130	409,227
Accounts receivable, net	231,789	209,565
Other receivables	3,822	-
Total financial assets, at year end	\$ 1,854,489	\$ 1,792,110

Restricted cash and investments unavailable for general expenditure within one year are as follows: (1) Reserve fund cash is restricted pursuant to a loan agreement with the U.S. Department of Agriculture, Rural Development; and (2) Investments – security deposit fund cash consists of security deposits paid by customers.

**NOTE L – FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**NOTE L – FAIR VALUE MEASUREMENTS (continued)**

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.
- Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.
- Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets itemized below were measured at fair value during the years ended using observed values for underlying interest rates. Fair values of assets measured on a recurring basis at December 31, 2023 and 2022 are as follows:

Recurring fair value measurements:	Fair Value	Fair Value Measurements at Reporting Date Using Quoted Prices		
		In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>December 31, 2023</i>				
Investments:				
Brokered certificates of deposit	\$ 469,655	\$ -	\$ 469,655	\$ -
Total Assets	<u>\$ 469,655</u>	<u>\$ -</u>	<u>\$ 469,655</u>	<u>\$ -</u>
<i>December 31, 2022</i>				
Investments:				
Brokered certificates of deposit	\$ 450,469	\$ -	\$ 450,469	\$ -
Total Assets	<u>\$ 450,469</u>	<u>\$ -</u>	<u>\$ 450,469</u>	<u>\$ -</u>

**NOTE M – COMMITMENTS AND CONTINGENCIES**

Purchased Water

The Water Association purchases water from Owensboro Municipal Utilities (OMU) based on the Water Association’s estimated usage. Any underpayments or overpayments are applied to future water purchases through rate adjustments. OMU calculates the difference between the estimated and actual usage as of the end of their fiscal year (May 31<sup>st</sup>). As of May 31, 2023 and 2022, the net underpayment to OMU for the actual cost of water provided to the Association was \$147,367 and \$159,599, respectively. The Water Association has not recognized a contingency on their records since the amount cannot be reasonably estimated as of December 31, 2023 and 2022.

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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

Construction Commitments

As of December 31, 2023 and 2022 the Water Association had several open construction and rehabilitation projects as summarized below.

*Herbert Road Water Line Extension Project*

As of December 31, 2023, the Water Association has a construction project for a water line extension located along Herbert Road. The Water Association does not have any signed commitments related to the project and will be performing all construction activities internally. Total estimated costs for the project are \$22,415. All costs are expected to be reimbursed by the Ohio County Fiscal Court. As of December 31, 2023, total costs of \$6,927 had been incurred with remaining costs-to-complete of \$15,488.

*Floral Road Water Main Extension Project*

As of December 31, 2023 and 2022, the Water Association has a construction project for a new main extension located along Floral Road. The Water Association has a signed commitment to an engineer to design, perform contract administration, and resident observation. No amounts have been awarded to construction contractors. Total estimated costs to complete the project were \$150,000 and will be funded by grant funds through the America Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund via the Kentucky Infrastructure Authority. As of December 31, 2023 and 2022, the Water Association has not bid or awarded the project to a contractor.

Rehabilitation Commitments

*Knottsville Elevated Tank Rehabilitation*

As of December 31, 2023, the Water Association had a rehabilitation project to paint the existing Knottsville elevated tank. The Water Association had a signed commitment to an engineer. No amounts have been awarded to construction contractors. Total estimated costs were \$550,000 and will be funded by grant funds through the America Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund via the Kentucky Infrastructure Authority. As of December 31, 2023, the Water Association has not awarded the project to a contractor.

**NOTE N – SUBSEQUENT EVENTS**

The Water Association did not have any subsequent events through May 10, 2024, 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, 2023.

## OTHER INFORMATION

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Schedule of Insurance**  
**December 31, 2023**

<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	\$ 3,701,321 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, 2023**

<u>Tap-on Fees</u>	<u>Charge</u>
5/8" x 3/4" Meter	\$ 1,350
All larger meters	Actual Cost
 <u>Monthly rates</u>	
<u>5/8" x 3/4" Meter</u>	
First 2,000 gallons	\$22.62 (Minimum Bill)
Next 4,000 gallons	8.42 per 1,000 gallons
Next 44,000 gallons	7.25 per 1,000 gallons
Over 50,000 gallons	6.39 per 1,000 gallons
 <u>3/4" Meter</u>	
First 3,000 gallons	\$31.04 (Minimum Bill)
Next 3,000 gallons	8.42 per 1,000 gallons
Next 44,000 gallons	7.25 per 1,000 gallons
Over 50,000 gallons	6.39 per 1,000 gallons
 <u>1" Meter</u>	
First 6,000 gallons	\$56.31 (Minimum Bill)
Next 44,000 gallons	7.25 per 1,000 gallons
Over 50,000 gallons	6.39 per 1,000 gallons
 <u>1-1/2" Meter</u>	
First 10,000 gallons	\$85.30 (Minimum Bill)
Next 40,000 gallons	7.25 per 1,000 gallons
Over 50,000 gallons	6.39 per 1,000 gallons
 <u>2" Meter</u>	
First 20,000 gallons	\$157.77 (Minimum Bill)
Next 30,000 gallons	7.25 per 1,000 gallons
Over 50,000 gallons	6.39 per 1,000 gallons
 Leak Adjustment Rate	 \$5.20 per gallon
Wholesale Rate	\$4.40 per gallon





## **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, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 May 10, 2024.

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

In planning and performing our audit of the financial statements, we considered East Daviess County Water Association, Inc.'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, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the East Daviess County Water Association, Inc.'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 2023-001 and 2023-002 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, Inc.'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, Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the East Daviess County Water Association, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings. East Daviess County Water Association, Inc. 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 "Altaden & Company CPAS PSC". The signature is written in a cursive style.

Owensboro, Kentucky  
May 10, 2024

**EAST DAVIESS COUNTY WATER ASSOCIATION, INC.**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2023**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

2023-001 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.

2023-002 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.