

**THE GARRARD COUNTY WATER ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

THE GARRARD COUNTY WATER ASSOCIATION, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
BALANCE SHEETS	3
INCOME STATEMENTS	4
STATEMENTS OF RETAINED EARNINGS	5
STATEMENTS OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
INDEPENDENT AUDITOR'S 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	18-19
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	20-21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	22-23

# Kerbaugh, Rodes & Butler, PLLC

Certified Public Accountants

Glyn D. Kerbaugh, Jr. CPA  
John B. Rodes, CPA  
Craig A. Butler, CPA  
Robin A. Meeks, CPA  
Martha K. King, CPA  
Lori-Anne Clark, CPA  
Chad Robinson, CPA

132 North Second Street  
P.O. Box 729  
Danville, Kentucky 40422  
859/236-3924  
FAX 859/236-6435

52 Liberty Square  
Liberty, Kentucky 42539  
606/787-9928  
kerbaughandrades.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Garrard County Water Association, Inc.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of The Garrard County Water Association, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### *Auditor's 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 25, 2024, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Association's internal control over financial reporting and compliance.

***Kerbaugh, Rodes & Butler, PLLC***

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
March 25, 2024

THE GARRARD COUNTY WATER ASSOCIATION, INC.

BALANCE SHEETS

	December 31, 2023	December 31, 2022
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash on hand	\$ 400	\$ 400
Cash in bank	740,559	1,119,142
Accounts receivable - trade (net of allowances for credit losses of \$8,140 and \$8,142, respectively)	169,113	163,000
Due from developers for construction of extension	-	42,890
Connection fees receivable	354	292
Interest and dividends receivable	50,047	17,716
Prepaid expenses	21,608	17,645
Total Current Assets	<u>982,081</u>	<u>1,361,085</u>
RESTRICTED ASSETS:		
Cash in bank received from developer in advance of construction	2,000	2,000
Total Restricted Assets	<u>2,000</u>	<u>2,000</u>
INVESTMENTS:		
Certificates of deposit	3,349,000	2,349,000
Debt and equity securities	769,585	713,570
Total Investments	<u>4,118,585</u>	<u>3,062,570</u>
FIXED ASSETS, LESS DEPRECIATION	<u>14,763,865</u>	<u>11,473,782</u>
TOTAL ASSETS	<u>\$ 19,866,531</u>	<u>\$ 15,899,437</u>
<u>LIABILITIES AND RETAINED EARNINGS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 144,730	\$ 179,839
Interest payable	25,464	-
Notes payable	71,607	-
Refund due to developers for waterline cost	10,801	-
Payroll taxes payable	4,048	4,656
Due to employees for supplemental insurance premiums withheld	343	419
Fees received in advance of new connection	13,602	16,406
Rent deposit payable	1,000	1,000
Total Current Liabilities	<u>271,595</u>	<u>202,320</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Deposit from developer in advance of construction	2,000	2,000
Total Liabilities Payable From Restricted Assets	<u>2,000</u>	<u>2,000</u>
LONG-TERM LIABILITIES:		
Notes payable	3,354,879	661,188
Construction payable	260,770	455,201
Interest payable	-	2,378
Total Long-term Liabilities	<u>3,615,649</u>	<u>1,118,767</u>
TOTAL LIABILITIES	<u>3,889,244</u>	<u>1,323,087</u>
RETAINED EARNINGS	<u>15,977,287</u>	<u>14,576,350</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 19,866,531</u>	<u>\$ 15,899,437</u>

"See accompanying notes."

THE GARRARD COUNTY WATER ASSOCIATION, INC.

INCOME STATEMENTS

	For The Year Ended December 31,	
	2023	2022
<b>OPERATING REVENUE:</b>		
Water sales - metered	\$ 2,440,033	\$ 2,248,759
Service charges	87,050	91,462
Connection fees	103,915	88,024
911 tax processing fee	16,730	16,643
Bulk water sales	485	785
Machine hire and labor	1,485	950
Hydrant fees	1,100	1,150
Miscellaneous	410	197
Total Operating Revenue	<u>2,651,208</u>	<u>2,447,970</u>
<b>OPERATING EXPENSES:</b>		
Purchased water	1,056,335	1,119,807
Depreciation	462,975	434,782
Salaries (net of capitalized labor)	394,091	393,153
Group insurance	62,304	73,598
Repairs and maintenance	109,490	48,859
Postage	47,094	41,848
Insurance	37,266	32,520
Legal and accounting	35,322	36,298
Payroll taxes	32,857	32,576
Directors' fees	31,900	24,550
Gas and oil	19,926	22,244
Utilities and telephone	17,123	16,289
Pension expense	14,716	14,713
Bill processing fees	18,462	15,439
Bad debts	14,355	12,637
Water sampling	12,815	8,075
Interest expense	20,632	-
PSC assessment	3,072	3,281
Office supplies	5,772	3,993
Other	13,758	20,532
Total Operating Expenses	<u>2,410,265</u>	<u>2,355,194</u>
<b>OPERATING INCOME (LOSS)</b>	240,943	92,776
<b>OTHER INCOME (EXPENSE):</b>		
Grant received - KRWA	-	1,499
Grant received - Cleaner Water Program	771,043	-
Waterline relocation funding - KDOT	225,002	-
Contribution by developers to finance water line	-	106,440
Refund to developers for waterline costs	(10,801)	-
Investment income (loss)	175,124	(36,794)
Investment fees	(2,632)	(2,554)
Rent income	6,000	6,000
Rental expenses	(1,842)	(839)
Gain (loss) on disposition of fixed assets	(1,900)	26,000
<b>NET INCOME</b>	<u>\$ 1,400,937</u>	<u>\$ 192,528</u>

"See accompanying notes."

THE GARRARD COUNTY WATER ASSOCIATION, INC.  
STATEMENTS OF RETAINED EARNINGS

	For The Year Ended December 31,	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 14,576,350	\$ 14,383,822
Net income for the period	<u>1,400,937</u>	<u>192,528</u>
Ending balance	<u><u>\$ 15,977,287</u></u>	<u><u>\$ 14,576,350</u></u>

"See accompanying notes."

THE GARRARD COUNTY WATER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

	For The Year Ended December 31,	
	2023	2022
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 1,400,937	\$ 192,528
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	462,975	434,782
Grant received - Cleaner Water Program (CWP)	(771,043)	-
Waterline relocation funding - KDOT	(225,002)	-
Water lines donated by developers	-	(106,440)
Grant received from Kentucky Rural Water Association	-	(1,499)
Add back portion of KRWA grant used for operating expenses	-	850
(Gain) loss on disposition of equipment	1,900	(26,000)
Realized (gain) or loss on investments	-	5,579
Unrealized (gain) or loss on investments	(27,631)	107,152
Change in:		
Accounts receivable	(6,113)	(30,500)
Connection fees receivable	(62)	312
Interest receivable	(32,331)	(9,211)
Prepaid expenses	(3,963)	(960)
Accounts payable	(35,109)	1,230
Interest payable	25,464	-
Less portion of interest payable capitalized	(4,833)	-
Refund due to developers for waterline costs	10,801	-
Payroll taxes payable	(608)	778
Due to employees for supplemental insurance premiums	(76)	419
Fees received in advance of new connections	(2,804)	13,086
Net Cash Provided By Operating Activities	<u>792,502</u>	<u>582,106</u>
<b>Cash Flows From Investing Activities:</b>		
Fixed assets purchased	(3,945,034)	(682,844)
Proceeds from sale of fixed assets	20,000	-
Fixed asset demolition cost	(21,900)	-
Construction costs (paid on behalf of) or reimbursed by developers	42,890	(42,890)
Proceeds from investments sold and matured	1,879,000	1,407,115
Investments purchased	(2,907,384)	(2,489,401)
Net Cash Provided (Used) By Investing Activities	<u>(4,932,428)</u>	<u>(1,808,020)</u>
<b>Cash Flows From Financing Activities:</b>		
Advances received from temporary construction loan	1,793,849	661,188
Repayment of temporary construction loan	(2,455,037)	-
USDA loan proceeds	2,500,000	-
Kentucky Infrastructure Authority loan proceeds	926,486	-
Cleaner Water Program Grant	771,043	-
Waterline relocation funding - KDOT	225,002	-
Cash in bank received from developer in advance of construction	-	2,000
Net Cash Provided (Used) By Financing Activities	<u>3,761,343</u>	<u>663,188</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(378,583)	(562,726)
Cash, cash equivalents, and restricted cash at beginning of year	1,121,542	1,684,268
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 742,959</u>	<u>\$ 1,121,542</u>
Cash on hand	\$ 400	\$ 400
Unrestricted cash in bank	740,559	1,119,142
Restricted cash in bank	2,000	2,000
Total cash, cash equivalents, and restricted cash at end of year	<u>\$ 742,959</u>	<u>\$ 1,121,542</u>

Supplemental Schedule of Non-Cash Financing and Investing Activities

During 2022, two trucks and a trailer were traded in on two new trucks and a trailer. The trade-in allowances received totaled \$26,000. Also, the Kentucky Rural Water Association purchased an iPad costing \$649 and paid license fees of \$850 on behalf of Garrard County Water Association to assist in the implementation of a waterline location system.

"See accompanying notes."



THE GARRARD COUNTY WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE I - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Garrard County Water Association, Inc. (the Association) was incorporated on February 3, 1970. The Association sells water to residential, agricultural, and commercial customers in much of rural Garrard County and parts of Madison, Lincoln, and Rockcastle Counties, Kentucky.

Basis of Accounting

The financial statements of the Association have been prepared in accordance with generally accepted accounting principles (GAAP) and accordingly, reflect all significant receivables, payables and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all bank deposits and repurchase agreements purchased with a maturity of three months or less are considered to be cash equivalents. Overdrafts are treated as components of cash if the bank has the right of offset against other deposits.

Accounts Receivable - Trade

Receivables for water sales are recorded monthly following the reading of meters and verification of those readings. Those readings are typically taken around the 12th of each month.

Unbilled water sales occurring between the 13th and end of each month are not accrued as receivables and the related water purchases are not accrued as payables. Management considers such receivables and payables immaterial in relation to the financial statements taken as a whole.

On a quarterly basis, the Association's board of directors is provided with a listing of accounts deemed to be uncollectible. Generally, this listing is comprised of customers who have moved without paying their water bill and for which no forwarding address can be found. After reviewing the listing, the board approves charging off the accounts.

The allowance for doubtful accounts is calculated using the percentage of sales charged off over the most recent five years multiplied by the customer accounts receivable outstanding.

Inventory

Materials and supplies are expensed when purchased with no inventory account being maintained. Management considers such inventories immaterial in relation to the financial statements taken as a whole.

Investments

Investments in certificates of deposit which the Association has both the intention and ability to hold to maturity are reported at cost. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value on the balance sheet.

Investment income consists of interest and dividend income on investments as well as realized and unrealized gains. Investment fees are recognized as an expense.

Fixed Assets

Fixed assets purchased by the Association are recorded at cost. New line additions received from subdivision developers and others are recorded at the cost incurred to construct the additions. Other fixed assets donated to the Association are recorded at fair value at the time of the donation. Fixed asset additions costing less than \$500 are charged to expense as purchases are made. Fixed assets are reported on the financial statements net of an allowance for depreciation. Depreciation expense has been calculated on the straight-line basis over the estimated useful lives of the assets.

THE GARRARD COUNTY WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE I - Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes

The Association has been classified as exempt from income taxes under IRC Section 501(c)(12) and will retain this exemption as long as at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. Management monitors to make certain that the 85% test described above is met and that all income not collected from members is excluded from tax under IRC Sections 512, 513, or 514. Accordingly, management has determined that no provision for income taxes is needed and that no significant exposure to risk of assessment of income or excise taxes currently exists. The federal returns for the current and preceding three years remain subject to examination.

Revenue Recognition

Revenue relates to the sale of water and associated service charges and connection fees. Water sales are recognized following monthly reading of customer water meters and are for water already provided to the customer. Service charges include fees for unlocking meters charged new customers moving into addresses with existing meters, collection fees charged when Association employees receive payment from a customer at the customer's home or place of business at the time the customer's meter was scheduled to be disconnected for failure to pay, and reconnection fees charged when a customers whose meter was disconnected for failure to pay their bill subsequently pays their bill and requests that the Association reconnect their meter. The service charges described in the previous sentence are recognized when the service is performed. Service charges also include a penalty equal to 10% of water charges assessed to customers failing to pay their bills by the 10th of the month, as required. Penalties are recognized as income on the date they are assessed.

Connection fees are charged to customers when a new meter is added to the system. Upon receipt, this fee is initially recorded as a liability and is recognized as income when the new meter is added to the system and service is established, typically within 10 to 14 business days.

The rates charged to customers for water and all associated service charges and connection fees are subject to pre-approval by the Kentucky Public Service Commission (PSC).

The cost of lines contributed by developers are included on the income statement as other income at the time that the lines are accepted by the Association and added to the system.

Currently, GAAP provides no specific guidance as to the recognition of government grants on the financial statements of business enterprises and the accounting for such grants varies. Management has determined that these transactions should be reported on the income statement as other income at the time that the conditions of the grant are met.

THE GARRARD COUNTY WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE II - Deposits

A. Accounts Maintained

The Association maintains the following unrestricted accounts - revenue, operation and maintenance and depreciation reserve.

All income collected, with the exception of interest credited to other interest bearing checking accounts, is deposited to the revenue account.

An amount sufficient to pay reasonable and necessary current expenses is to be maintained in the operation and maintenance account. The Association transfers funds from the revenue account at the beginning of each month in order to meet these expenses.

The Association has also established a depreciation reserve account to be drawn against for large and non-recurring expenditures.

As needed, the Association also maintains the following restricted accounts - USDA general loan reserve, USDA debt service reserve, system improvements, and extension escrow account.

Pursuant to a loan security agreement with the United States Department of Agriculture dated November 2, 2021, the Association is required to set aside \$729 per month in a general loan reserve account until a sum of \$87,450 is accumulated. Subject to the written approval of the USDA, amounts accumulated in this account can be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets. This account was fully funded during 2023.

Also pursuant to the aforementioned security agreement, the Association is required to set aside in a debt service reserve, an amount sufficient to service the annual loan payment of \$87,450 due annually. This account was fully funded in 2023.

The Association may require developers of new subdivisions and others desiring to add privately sponsored extensions to make deposits to an extension escrow account to cover the cost of waterline extensions. The waterline construction costs are then paid from the extension escrow account as incurred. Any deposits remaining at the end of the construction are refunded to the sponsor of the extension.

B. Deposit Security

The Association maintains its deposits with various banks. At December 31, 2023, all deposits, which totaled \$4,091,559, were covered by standard federal depository insurance.

At December 31, 2022, \$2,600,772 of the balance was covered by standard federal depository insurance, \$859,418 was secured by securities under a repurchase agreement described below, and \$9,951 was unsecured.

Until August 2023, the Association had a sweep agreement with a local bank with the following terms. A balance of \$25,000 was maintained in a non-interest bearing checking account. On a daily basis, funds were either swept out of or into the account as necessary to maintain the \$25,000 balance. The funds in excess of \$25,000 were placed in retail repurchase agreements (Repos). The Repos evidenced a borrowing by the bank to be fully collateralized by securities which are the direct obligation of, or the principal and interest of which are fully guaranteed by, the United States, one of its agencies, or investment grade securities or investment grade corporate bonds. All securities which were part of the repurchase agreement were held by a third party custodian which served as agent for the Association.

In August 2023, the aforementioned sweep agreement was replaced by a new sweep agreement at that same local bank. This agreement differs from the prior agreement in the following respects. Interest is paid on the base \$25,000. Funds in excess of \$25,000 are swept to interest bearing accounts at other banks.

THE GARRARD COUNTY WATER ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

NOTE II - Deposits (continued)

C. Summary of Account Balances

	December 31, 2023				
	Cash on Deposit			Certificates of Deposit Included in Investments	Total Deposits
	Non-Interest Bearing	Interest Bearing	Total		
<u>Unrestricted Deposits:</u>					
Revenue	\$ -	\$ 694,356	\$ 694,356	\$ -	\$ 694,356
Operations and maintenance	45,831	-	45,831		45,831
USDA debt service reserve				87,450	87,450
USDA general loan reserve				87,450	87,450
Depreciation reserve	-	372	372	3,174,100	3,174,472
Total Unrestricted Deposits	45,831	694,728	740,559	3,349,000	4,089,559
<u>Restricted Deposits:</u>					
Extension escrow	2,000	-	2,000	-	2,000
Total Restricted Deposits	2,000	-	2,000	-	2,000
Total Deposits	\$ 47,831	\$ 694,728	\$ 742,559	\$ 3,349,000	\$ 4,091,559

A breakdown of certificates of deposit by year of maturity as of December 31, 2023 follows:

2024	1,449,000
2025	400,000
2026	1,100,000
2027	400,000
\$	3,349,000

	December 31, 2022				
	Cash on Deposit			Certificates of Deposit Included in Investments	Total Deposits
	Non-Interest Bearing	Interest Bearing	Total		
<u>Unrestricted Deposits:</u>					
Revenue	\$ 25,000	\$ 859,418	\$ 884,418	\$ -	\$ 884,418
Operations and maintenance	234,467	-	234,467		234,467
Depreciation reserve	-	257	257	2,349,000	2,349,257
Total Unrestricted Deposits	259,467	859,675	1,119,142	2,349,000	3,468,142
<u>Restricted Deposits:</u>					
Extension escrow	2,000	-	2,000	-	2,000
Total Restricted Deposits	2,000	-	2,000	-	2,000
Total Deposits	\$ 261,467	\$ 859,675	\$ 1,121,142	\$ 2,349,000	\$ 3,470,142

THE GARRARD COUNTY WATER ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note III - Investments - Debt and Equity Securities

In addition to investments in certificates of deposit described in Note II, the Association has invested in various debt and equity securities. As previously stated, these investments are reported at fair value on the balance sheet and are considered to be trading securities.

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a fair value hierarchy that requires the Association to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Association's market assumptions. The three levels to the fair value hierarchy are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market-corroborated inputs.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

During 2023 and 2022, all of the Association's debt and equity securities were measured using either level 1 or level 2 inputs. The following tables represent debt and equity investments that are measured at fair value on a recurring basis at December 31, 2023 and 2022:

	December 31, 2023		
	Total	Level 1	Level 2
Mutual funds	\$ 450,774	\$ 450,774	\$ -
Corporate bonds and notes	242,175	-	242,175
Closed end utility fund	16,282	16,282	-
Exchange traded fund	28,383	28,383	-
Money market fund	31,971	31,971	-
Total	\$ 769,585	\$ 527,410	\$ 242,175

	December 31, 2022		
	Total	Level 1	Level 2
Mutual funds	\$ 415,007	\$ 415,007	\$ -
Corporate bonds and notes	228,392	-	228,392
Closed end utility fund	21,600	21,600	-
Exchange traded fund	27,782	27,782	-
Money market fund	20,789	20,789	-
Total	\$ 713,570	\$ 485,178	\$ 228,392

NOTE IV - Investment Income

Investment income consisted of the following:

	For the year ended December 31,	
	2023	2022
Interest income	\$ 124,999	\$ 46,376
Dividends	22,494	29,561
Unrealized gain (loss) on investments	27,631	(107,152)
Realized gain (loss) on investments	-	(5,579)
Total	\$ 175,124	\$ (36,794)

THE GARRARD COUNTY WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE V - Accounts Receivable - Trade

Trade accounts receivable outstanding at the beginning of 2022 totaled \$138,680. The related allowance for doubtful accounts at that date was \$6,180.

As of December 31, 2023 and 2022, the outstanding trade accounts receivable from customers by aging category were as follows..

As of December 31,	Current	Period Since Due Date			Total
		30-59 Days	60-89 Days	90 Days and Over	
2023	\$ 158,756	\$ 11,131	\$ 3,872	\$ 3,494	\$ 177,253
2022	\$ 157,081	\$ 8,798	\$ 3,115	\$ 2,148	\$ 171,142

NOTE VI - Fixed Assets

Fixed assets consisted of the following at December 31, 2023 and 2022:

	Depreciable Lives -Years	Historical Cost Basis	
		2023	2022
Land and land rights	N/A	\$ 103,407	\$ 99,907
Land held for rental	N/A	24,004	24,004
Construction in process	N/A	312,833	1,124,985
Distribution reservoirs and standpipes	40 - 50	2,180,809	2,051,096
Transmission and distribution mains	55	19,327,375	15,451,691
Fire mains	50	6,803	6,803
Meters and meter installations	20 -40	2,338,321	2,039,489
Hydrants	40 -50	25,591	8,859
Maintenance equipment	5 - 10	468,736	411,443
Buildings	25 - 40	135,927	135,927
Rental building	40	59,157	53,757
Office equipment	5	66,589	66,589
Total		25,049,552	21,474,550
Less: Accumulated depreciation		10,285,687	10,000,768
Total Fixed Assets		<u>\$ 14,763,865</u>	<u>\$ 11,473,782</u>

THE GARRARD COUNTY WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE VII - Notes Payable

During 2022, the Association received a \$2,500,000 construction line of credit from Whitaker Bank. The interest rate on this unsecured loan is 4.625%. As of December 31, 2022, \$661,188 had been advanced on the line of credit.

During 2023, an additional \$1,793,849 in construction costs were paid using advances on this line of credit. On July 14, 2023, the cumulative \$2,455,037 balance of this line of credit, accrued interest of \$24,899, and additional construction costs of \$20,064 were paid using the \$2,500,000 proceeds of a loan from the United States Department of Agriculture Rural Development (USDA).

The USDA loan bears an 1.75% interest rate and is to be repaid over a period of forty years with the first annual payment of \$87,450 due July 13, 2024. The terms of the note include certain requirements to establish cash reserves more fully described in Note II. The loan is secured by a pledge of its properties both real and personal, an assignment and pledge of revenues, and all contract rights including accounts receivable.

In 2023, the improvement project was expanded with a portion of the necessary funding to be provided by a loan from the Kentucky Infrastructure Authority (KIA). The KIA committed a maximum of \$1,400,000 to help fund the project. Through December 31, 2023, \$926,486 had been drawn on the KIA loan and used to pay for construction costs.

The KIA loan bears an interest rate of 2.25% and is to be repaid over a period of twenty years with semi-annual payments of \$43,657 due on June 1 and December 1. In addition, a loan servicing fee equal to .20% of the outstanding loan balance shall be payable to the KIA as part of each loan payment.

Because the construction costs payable at December 31, 2023, will be paid using addition draws on the KIA loan. This payable is reported as long-term debt.

The principal payments due on the USDA and KIA loans are as follows:

<u>Year</u>	<u>USDA</u>	<u>KIA</u>	<u>Total</u>
2024	\$ 43,700	\$ 27,907	\$ 71,607
2025	44,465	56,759	101,224
2026	45,243	58,043	103,286
2027	46,035	59,357	105,392
2028	46,840	60,700	107,540
2029	47,660	62,073	109,733
2030 to maturity	2,226,057	601,647	2,827,704
Total	<u>\$ 2,500,000</u>	<u>\$ 926,486</u>	<u>\$ 3,426,486</u>

Interest of \$48,315 was paid on the Whitaker Bank construction line of credit during 2023 and was capitalized as part of the cost of the improvement project. In addition, \$4,833 of the interest accrued on the KIA loan through December 31, 2023, was capitalized as part of the cost of the improvement project.

No interest was paid during 2022.

THE GARRARD COUNTY WATER ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

NOTE VIII - Pension Expense

The Association provides pension benefits to eligible employees through a 401-K plan. Employees must be age 21 or over with one year of service as of either of the plan entrance dates of January 1 and July 1 to be eligible to participate. Employee participation is elective. Employees under age 50 may elect to contribute up to \$22,500 annually. Employees age 50 or over may elect to contribute up to \$30,000 annually. Employee elective contributions are matched by the employer up to 5% of employee compensation.

Under the plan, employees are immediately vested in the contributions made by the employee and are vested in the employer contributions over a five year period beginning with the date of employment as follows:

0 - 1 year	0%	3 years	60%
1 year	20%	4 years	80%
2 years	40%	5 years	100%

The Association's policy is to fund the pension expense as the liability accrues.

NOTE IX - Insurance In Force

In order to secure itself against various unexpected losses, the Association maintains insurance coverage as described below:

Description	Amount
Workers compensation	Statutory Limit
Kentucky Association of Counties All Lines Fund	
General liability	\$ 5,000,000
Real and personal property	15,000,000
Public officials	3,000,000
Auto liability	3,000,000
Auto comprehensive and collision	ACV
Public officials and employee fidelity	150,000
ERISA bond	150,000

NOTE X - Commitments and Contingencies

During 2022, the Association entered into various contracts for the construction of water transmission and storage improvements with an estimated total cost to complete of \$2,600,567. The Association was to provide \$100,567 of the funding for the construction project. The remaining \$2,500,000 of funding was to be provided by loans as more fully described in Note VII.

During 2023, the project was expanded with the addition of two new sources of funding. The first of these sources is a passthrough grant from the Kentucky Infrastructure Authority (KIA) known as the Kentucky Cleaner Water Program (KCWP). Funding for the KCWP was provided by an allocation of federal funds provided by the American Rescue Plan Act of 2021 / Coronavirus State Fiscal Recovery Fund. Through December 31, 2023, the Association has received \$771,043 of the \$774,303 allocated under the KCWP and utilized it for funding of the project. The remaining \$3,260 is expected



THE GARRARD COUNTY WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE X - Commitments and Contingencies (continued)

to be received and utilized on the project in 2024.

The second source of new funding, a loan from the KIA, is described in Note VII.

Through December 31, 2023, project cost of \$4,492,927 had been incurred. Funding through that date was provided as follows: \$2,500,000 USDA loan, \$771,043 KCWP grant, \$926,486 KIA loan, \$260,770 construction payable to be paid with an additional draw on KIA loan, and \$36,428 Association funds.

As of December 31, 2023, additional commitments to complete the project under contract total \$76,479 with funding provided by the KCWP grant and KIA loan. The project is expected to be completed during 2024.

In connection with the construction of additional water lines, the Association has received various grants. Terms of the grants include repayment of the grant funds in the event of the Association's default on its representations and warranties as specified in the grant agreements.

NOTE XI - Source of Water Supply

The Association purchases most of its water (93.6% during 2023) from the City of Lancaster under a contract dated October 3, 2017 which was effective January 1, 2018. This contract continues the relationship between these two entities indefinitely. The Association is, therefore, dependent upon the continuing ability of the City of Lancaster to provide a sufficient supply of water.

NOTE XII- Concentration of Credit Risk

The Association is subject to the credit risks associated with selling water to residential, agricultural, and commercial customers in an area where the economy is largely agricultural based.

THE GARRARD COUNTY WATER ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE XIII - Water Losses

During 2023 and 2022, the Association incurred the following water losses:

	2023		2022	
	Gallons (1,000's)	Percent	Gallons (1,000's)	Percent
Purchased	436,016	100.00 %	416,429	100.00 %
Sold	(324,647)	(74.46)	(319,030)	(76.61)
Used by Association	(20,128)	(4.62)	(18,002)	(4.32)
Water loss	<u>91,241</u>	<u>20.92 %</u>	<u>79,397</u>	<u>19.07 %</u>

Breakdown of water loss:

Line leaks	89,091	20.43 %	73,824	17.73 %
Line breaks	2,025	0.46	5,573	1.34
Tank overflows	<u>125</u>	<u>0.03</u>	<u>-</u>	<u>-</u>
Total water loss	<u>91,241</u>	<u>20.92 %</u>	<u>79,397</u>	<u>19.07 %</u>

NOTE XIV- Regulatory Capital

For purposes of reporting to the PSC, the Association is required to recognize government grants received, as well as connection fees received from members and line additions donated by developers, as additions to the equity account "contributed capital" rather than as income on the income statement. The table on the next page reconciles the information provided on the statements of changes in retained earnings to equity capital as reported to the PSC.

	Contributed Capital	Retained Earnings	Total Fund Equity
January 1, 2022 balance per statement	\$ -	\$ 14,383,822	\$ 14,383,822
To reclassify to regulatory basis	<u>10,689,506</u>	<u>(10,689,506)</u>	<u>-</u>
January 1, 2022 balance per PSC	10,689,506	3,694,316	14,383,822
2022 net income as reclassified for PSC	<u>195,963</u>	<u>(3,435)</u>	<u>192,528</u>
December 31, 2022 balance per PSC	10,885,469	3,690,881	14,576,350
2023 net income as reclassified for PSC	<u>1,089,159</u>	<u>311,778</u>	<u>1,400,937</u>
December 31, 2023 balance per PSC	<u>\$ 11,974,628</u>	<u>\$ 4,002,659</u>	<u>\$ 15,977,287</u>

NOTE XV- Subsequent Events

Events subsequent to December 31, 2023, have been evaluated to determine their potential impact on the financial statements. Events through March 25, 2024, the date the financial statements were available to be issued, were considered.

There were no events occurring during this period requiring disclosure in the financial statements.

THE GARRARD COUNTY WATER ASSOCIATION, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/ <u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,381,233
U.S. Department of the Treasury COVID 19, Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>771,043</u>
Total federal expenditures		<u><u>\$ 2,152,276</u></u>
Federal expenditures financed by:		
USDA Rural Utility Services loan		\$ 1,381,233
COVID 19, Coronavirus State and Local Fiscal Recovery Funds Grant provided under the American Rescue Plan Act of 2021 and allocated through the Kentucky Infrastructure Authority Cleaner Water Program Round 2 Funds		771,043
		<u><u>\$ 2,152,276</u></u>

**Notes to Schedule of Expenditures of Federal Awards**

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Garrard County Water Association, Inc. under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Garrard County Water Association, Inc., it is not intended to and does not present the financial position, income, changes in retained earnings, or cash flows of The Garrard County Water Association, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Only costs directly relating to the water improvements project partially financed by the USDA Rural Utility Services loan and the COVID 19, Coronavirus State and local Fiscal Recovery Funds are included on the Schedule. Thus, no election was made by The Garrard County Water Association, Inc. with regard to the 10% de minimus cost rate as covered in 2 CFR section 200.414.

Note C - Balance of Loan Outstanding

As of December 31, 2023, the costs identified in the schedule above were both accrued and paid during 2023. During 2021 and 2022, \$139,200 and \$979,567, respectively, were accrued under the U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities program and eventually paid using interim financing provided by a local bank. The cumulative costs accrued in 2021 through 2023 were refinanced by the U.S. Department of Agriculture during 2023 with a \$2,500,000 loan.

# Kerbaugh, Rodes & Butler, PLLC

Certified Public Accountants

Glyn D. Kerbaugh, Jr. CPA  
John B. Rodes, CPA  
Craig A. Butler, CPA  
Robin A. Meeks, CPA  
Martha K. King, CPA  
Lori-Anne Clark, CPA  
Chad Robinson, CPA

132 North Second Street  
P.O. Box 729  
Danville, Kentucky 40422  
859/236-3924  
FAX 859/236-6435

52 Liberty Square  
Liberty, Kentucky 42539  
606/787-9928  
kerbaughandrades.com

## INDEPENDENT AUDITOR'S 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 of  
The Garrard 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 The Garrard County Water Association, Inc. (a nonprofit organization), which comprise the balance sheet as of December 31, 2023, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2024.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

**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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
March 25, 2024

# Kerbaugh, Rodes & Butler, PLLC

Certified Public Accountants

Glyn D. Kerbaugh, Jr. CPA  
John B. Rodes, CPA  
Craig A. Butler, CPA  
Robin A. Meeks, CPA  
Martha K. King, CPA  
Lori-Anne Clark, CPA  
Chad Robinson, CPA

132 North Second Street  
P.O. Box 729  
Danville, Kentucky 40422  
859/236-3924  
FAX 859/236-6435

52 Liberty Square  
Liberty, Kentucky 42539  
606/787-9928  
kerbaughandrades.com

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
The Garrard County Water Association, Inc.

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited The Garrard County Water Association's (the Association's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2023. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

#### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
March 25, 2024

**THE GARRARD COUNTY WATER ASSOCIATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**Section I-Summary of Auditor's Results**

---

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities
21.027	U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish Between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No



**THE GARRARD COUNTY WATER ASSOCIATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

---

---

**Section II – Financial Statement Findings**

---

---

No matters were reported.

---

---

**Section III – Federal Award Findings and Questioned Costs**

---

---

No matters were reported.

---

---

**Section IV – Prior Year Audit Findings**

---

---

No findings were reported in the prior year.