

**WEST LAUREL WATER
ASSOCIATION, INCORPORATED**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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Cloyd & Associates, PSC
*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITORS' REPORT

To the Commissioners
West Laurel Water Association, Incorporated
London, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of West Laurel Water Association, Incorporated (a nonprofit organization), which comprise the statement of financial position as of and for the years ended December 31, 2023, and 2022, and the related statements of activities and cash flows, and the statement of functional expenses for the year ended, and the related notes to the financial statement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the West Laurel Water Association, Incorporated, as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 West Laurel Water Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

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



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 West Laurel Water Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statement

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 opinions. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in 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, 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 District's internal control. Accordingly, such opinion is expressed.
- Evaluate the appropriateness of 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 District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2024, on our consideration of the West Laurel Water Association, Incorporated'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Laurel Water Association, Incorporated's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Certified Public Accountants
Corbin, Kentucky

May 30, 2024

WEST LAUREL WATER ASSOCIATION, INCORPORATED MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Years ended December 31, 2023 and 2022

This discussion and analysis are intended to be an easily readable analysis of the West Laurel Water Association, Incorporated's financial activities based on currently known facts, decisions, or conditions. This analysis focuses on the current year activities and should be read in conjunction with the financial statements and notes that follow. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

FINANCIAL HIGHLIGHTS

- In 2023, the Association's net position increased by \$159,279 or 1.42%, compared to an increase of \$57,215 or 1.42% in 2022.
- In 2023, sales of water increased by \$101,328 or 3.76%. In 2022, sales increased by \$127,429 or 4.96%.
- Operating expenses increased by \$123,142 or 4.55% in 2023 compared to an increase of \$43,509 or 1.64% in 2022.
- Additions to capital assets in 2023 amounted to \$252,678. In 2022, additions to capital assets were \$80,980.
- Principal payments on long-term debt amounted to \$100,200 in 2023, compared to \$95,888 in 2022.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of the management's discussion and analysis and the basic financial statements. The financial statements include notes that explain information included in the basic financial statements.

FINANCIAL STATEMENTS

The financial statements report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The statement of net position presents information on all of the Association's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating. The statement of revenues, expenses, and changes in net position presents information showing how the Association's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The financial statements also include a statement of cash flows, which presents sources and uses of cash and changes in cash balances during the fiscal year.

**WEST LAUREL WATER ASSOCIATION, INCORPORATED—CONTINUED
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

Years ended December 31, 2023 and 2022

NET POSITION

A summary of the Association’s statement of financial position as of December 31, 2023, and 2022 is presented below:

	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>Net dollar</u> <u>Change</u>	<u>Net percentage</u> <u>Change</u>
Current and other assets	\$ 1,479,375	\$ 1,383,664	\$ 95,711	6.92%
Capital assets, net of accumulated depreciation	5,744,545	5,777,636	(33,091)	-0.57%
Total Assets	<u>7,223,920</u>	<u>7,161,300</u>	<u>62,620</u>	0.87%
Long-term liabilities	2,584,520	2,689,916	105,396	3.92%
Current portion of long-term debt	103,511	99,005	(4,506)	-4.55%
Other current liabilities	294,676	290,445	(4,231)	-1.46%
Total Liabilities	<u>2,982,707</u>	<u>3,079,366</u>	<u>96,659</u>	3.14%
Net assets without restrictions	4,241,213	4,081,934	(159,279)	-3.90%
Total Net Position	<u>\$ 4,241,213</u>	<u>\$ 4,081,934</u>	<u>\$ (159,279)</u>	-3.90%

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

A summary of the Association’s statement of revenues, expenses and changes in net position for the year ended December 31, 2023, and 2022 is presented below:

	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>Net dollar</u> <u>Change</u>	<u>Net percentage</u> <u>Change</u>
Operating revenue	\$ 3,043,984	\$ 2,858,200	\$ 185,784	6.50%
Nonoperating revenue	60,855	23,451	37,404	159.50%
Total revenue	<u>3,104,839</u>	<u>2,881,651</u>	<u>223,188</u>	7.75%
Depreciation expense	285,768	285,794	26	0.01%
Other operating expense	2,541,916	2,418,748	(123,168)	-5.09%
Nonoperating expense	117,876	119,894	2,018	1.68%
Total expense	<u>2,945,560</u>	<u>2,824,436</u>	<u>(121,124)</u>	-4.29%
Changes in net position	159,279	57,215	(102,064)	-178.39%
Net position, beginning	4,081,934	4,024,719	(57,215)	-1.42%
Net position, ending	<u>\$ 4,241,213</u>	<u>\$ 4,081,934</u>	<u>\$ (159,279)</u>	-3.90%

**WEST LAUREL WATER ASSOCIATION, INCORPORATED—CONTINUED
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

Years ended December 31, 2023, and 2022

CAPITAL ASSETS

On December 31, 2023, the Association’s investment in capital assets, net of depreciation, totaled \$5,744,545, which is a decrease of \$30,091, or 0.572%, over the capital asset balance of \$5,777,636 at December 31, 2022. This is attributable to capital projects.

LONG-TERM DEBT

As of December 31, 2023, the Association had long-term debt of \$2,680,921 compared to \$2,781,121 at December 31, 2022, including the current portion. During the year ended December 31, 2023, the Association paid \$100,200 of principal payments on the long-term debt compared to \$95,888 in 2022.

CONTACT INFORMATION

The Association’s financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Association’s finances and to demonstrate the Association’s accountability. Questions concerning this report or request for additional information should be addressed to the Office Manager, Dewayne Lewis, at West Laurel Water Association, Incorporated, London, Kentucky, 40741, or by calling (606) 878-9420.

WEST LAUREL WATER ASSOCIATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 757,063	\$ 673,076
Accounts receivable, less allowance for doubtful accounts	310,624	307,742
Unbilled accounts receivable	153,669	153,669
Interest receivable	2,880	217
Prepaid expense	875	875
Total current assets	<u>1,225,111</u>	<u>1,135,579</u>
Noncurrent assets		
Restricted assets		
Restricted cash and cash equivalents	<u>254,264</u>	<u>248,085</u>
Capital assets		
Nondepreciable capital assets		
Land and land structures	67,727	67,727
Construction in progress	<u>45,500</u>	<u>-</u>
Total nondepreciable capital assets	<u>113,227</u>	<u>67,727</u>
Depreciable capital assets		
Source of supply and pumping	16,899	16,899
Intangible	7,677	7,677
Pumping plant	651,262	651,262
Transmission and distribution	11,301,241	11,094,064
General plant	45,453	45,453
Less accumulated depreciation	<u>(6,391,214)</u>	<u>(6,105,446)</u>
Total depreciable capital assets	<u>5,631,318</u>	<u>5,709,909</u>
Total capital assets (net of depreciation)	<u>5,744,545</u>	<u>5,777,636</u>
Total noncurrent assets	<u>5,998,809</u>	<u>6,025,721</u>
Total assets	<u>\$ 7,223,920</u>	<u>\$ 7,161,300</u>

WEST LAUREL WATER ASSOCIATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

LIABILITIES	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 210,779	\$ 206,501
Accrued expenses	28,712	26,988
Accrued interest	55,185	56,956
Current portion of long-term debt	<u>103,511</u>	<u>99,005</u>
Total current liabilities	<u>398,187</u>	<u>389,450</u>
Noncurrent liabilities		
Customer deposits	7,110	7,800
Long-term debt	<u>2,577,410</u>	<u>2,682,116</u>
Total noncurrent liabilities	<u>2,584,520</u>	<u>2,689,916</u>
Total liabilities	<u>2,982,707</u>	<u>3,079,366</u>
NET ASSETS		
Net assets without donor restrictions	4,241,213	4,081,934
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>4,241,213</u>	<u>4,081,934</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,223,920</u>	<u>\$ 7,161,300</u>

The accompanying notes are an integral part of the financial statements.

WEST LAUREL WATER ASSOCIATION, INCORPORATED
STATEMENT OF ACTIVITIES
For the years ended December 31, 2023 and 2022

	2023		2022	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Operating revenues				
Water sales	\$ 2,797,692	\$ -	\$ 2,696,364	\$ -
Tap-on fees	123,810	-	38,150	-
Other	122,482	-	123,686	-
Total operating revenues	<u>3,043,984</u>	<u>-</u>	<u>2,858,200</u>	<u>-</u>
Operating expenses				
Purchased water and power	1,264,295	-	1,294,618	-
Water treatment	46,439	-	47,522	-
Transmission and distribution	724,035	-	587,016	-
Administration of customer accounts	321,875	-	294,765	-
Administration and general	185,272	-	194,827	-
Depreciation	285,768	-	285,794	-
Total operating expenses	<u>2,827,684</u>	<u>-</u>	<u>2,704,542</u>	<u>-</u>
Operating income (loss)	<u>216,300</u>	<u>-</u>	<u>153,658</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	15,355	-	2,675	-
Grant income	45,500	-	20,776	-
Miscellaneous	(6,522)	-	(6,747)	-
Interest expense				
Interest on long-term debt	(111,354)	-	(113,147)	-
Interest on customer deposits	-	-	-	-
Total nonoperating revenues (expenses)	<u>(57,021)</u>	<u>-</u>	<u>(96,443)</u>	<u>-</u>
Change in net assets	159,279	-	57,215	-
Net assets, January 1	<u>4,081,934</u>	<u>-</u>	<u>4,024,719</u>	<u>-</u>
Net assets, December 31	<u>\$ 4,241,213</u>	<u>\$ -</u>	<u>\$ 4,081,934</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

WEST LAUREL WATER ASSOCIATION, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
For the years ended December 31, 2023 and 2022

For the year ended 12/31/2023

	Program	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total Expenses
Purchased water	\$ 1,246,184	\$ -	\$ -	\$ -	\$ 1,246,184
Purchased power	18,111	-	-	-	18,111
Water treatment	46,439	-	-	-	46,439
Materials and supplies	208,224	-	8,380	-	216,604
Professional services	-	-	10,975	-	10,975
Contractual services	806,296	-	87,328	-	893,624
Insurance	13,985	-	-	-	13,985
Bad debts	31,389	-	-	-	31,389
Commissioners salaries	-	-	36,900	-	36,900
Interest	111,354	-	-	-	111,354
Depreciation	285,768	-	-	-	285,768
PSC assessments	6,522	-	-	-	6,522
Miscellaneous expense	27,705	-	-	-	27,705
Total Expenses	<u>2,801,977</u>	<u>-</u>	<u>143,583</u>	<u>-</u>	<u>2,945,560</u>

For the year ended 12/31/2022

	Program	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total Expenses
Purchased water	\$ 1,277,660	\$ -	\$ -	\$ -	\$ 1,277,660
Purchased power	16,958	-	-	-	16,958
Water treatment	47,522	-	-	-	47,522
Materials and supplies	208,863	-	6,179	-	215,042
Professional services	-	-	12,438	-	12,438
Contractual services	648,329	-	101,793	-	750,122
Insurance	13,978	-	-	-	13,978
Bad debts	24,588	-	-	-	24,588
Commissioners salaries	-	-	36,150	-	36,150
Interest	113,147	-	-	-	113,147
Depreciation	285,794	-	-	-	285,794
PSC assessments	6,747	-	-	-	6,747
Miscellaneous expense	24,290	-	-	-	24,290
Total Expenses	<u>2,667,876</u>	<u>-</u>	<u>156,560</u>	<u>-</u>	<u>2,824,436</u>

WEST LAUREL WATER ASSOCIATION, INCORPORATED
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Receipts from customers	\$ 3,038,439	\$ 2,842,425
Payment for goods and service	<u>(2,536,604)</u>	<u>(2,411,680)</u>
Net cash used in operating activities	<u>501,835</u>	<u>430,745</u>
Cash flows from capital and related activities		
Additions to capital assets	(252,678)	(80,980)
Principal payments on debt	(100,200)	(95,888)
Grant proceeds	45,500	20,776
Interest paid on debt	(113,124)	(112,170)
Miscellaneous nonoperating expense	<u>(6,522)</u>	<u>(6,747)</u>
Cash provided (used) in capital and related activities	<u>(427,024)</u>	<u>(275,009)</u>
Cash flows from investing activities		
Interest received on investments	15,355	2,675
Transfer in/(out)	<u>-</u>	<u>-</u>
Cash provided (used) in investing activities	<u>15,355</u>	<u>2,675</u>
Net increase in cash and cash equivalents	90,166	155,736
Cash and cash equivalents, January 1	<u>921,161</u>	<u>765,425</u>
Cash and cash equivalents, December 31	<u>\$ 1,011,327</u>	<u>\$ 921,161</u>
Reconciliation of change in net position to net cash used in operating activities		
Adjustments to reconcile change in net position to net cash used in operating activities:		
Operating income	\$ 216,300	\$ 153,658
Depreciation	285,768	285,794
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(2,882)	(15,753)
(Increase) Decrease in interest receivable	(2,663)	(22)
(Decrease) Increase in accounts payable	4,278	8,054
(Decrease) Increase in accrued expenses	1,724	1,594
(Decrease) Increase in customer deposits	<u>(690)</u>	<u>(2,580)</u>
Net cash provided by operating activities	<u>501,835</u>	<u>430,745</u>
Supplemental disclosures		
Interest paid	<u>111,354</u>	<u>113,147</u>
Reconciliation of cash at end of year		
Cash and cash equivalents	757,063	673,076
Restricted cash and cash equivalents	<u>254,264</u>	<u>248,085</u>
Total cash at end of year	<u>\$ 1,011,327</u>	<u>\$ 921,161</u>

The accompanying notes are an integral part of the financial statements.

WEST LAUREL WATER ASSOCIATION, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

West Laurel Water Association, Incorporated, of Laurel County, Kentucky (the Association) was created in 1969 under Chapter 74 of the Kentucky Revised Statutes and is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. The Association is governed by a three-person board of Commissioners, which is appointed by the Laurel County Fiscal Court. The Association is regulated by the Kentucky Public Service Commission.

Nature of Activities

West Laurel Water Association, Incorporated is a rural water utility system whose purpose is to establish, develop, and operate a water supply and distribution system for its members and customers in the eastern portion of Laurel County, Kentucky. The Association's primary source of revenue is from water sales to its customers, including public bodies and local businesses in its service area.

Financial Statement Presentation

Financial statement presentation is consistent with the accounting principles generally accepted in the United States of America as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB); the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Association had only net assets without donor restrictions in 2023 and 2022.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association reports information regarding its financial position and activities according of the following net asset classifications:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Cash and Cash Equivalents

The Association considers all highly liquid investments (including restricted cash and investments), with maturities of 90 days or less to be cash equivalents. This includes bank certificates of deposit and demand checking accounts.

Investments

The Association's investments include certificates of deposits with maturity dates of three months or more. Certificates of deposits in excess of FDIC insurance are collateralized by securities held by the pledging bank.

Accounts Receivable

Accounts receivable arise as services are rendered for which collections have not been realized and are carried net of a provision for doubtful accounts. The provision for doubtful accounts is estimated using a percentage of accounts more than 90 days past due. At December 31, 2023, and 2022, the provision for doubtful accounts was \$2,698 and \$2,698, respectively.

Unbilled Receivables

The Association estimated unbilled revenues from water sales, on a pro rata basis, at the end of each fiscal year. The estimated amounts are based on amounts billed during the following month after the close of the fiscal year.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

Capital assets include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, and equipment that have a useful life of more than one reporting period based on the Association's capitalization policy. The cost of additions to the utility plant and major replacements of retired property are capitalized, and the cost of repairs, maintenance, and minor replacements are recorded as expense. By Association policy, capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life more than one year. Cost includes direct labor, outside services, materials, and transportation employee fringe benefits, and overhead. Interest incurred during construction is capitalized.

WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from disposal is credited or recorded in the non-operating section of the statements of revenues, expenses, and changes in net position. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The range of useful lives of assets is as follows:

<u>Assets Classification</u>	<u>Range of Lives</u>
Intangible	40 years
Transmission and distribution mains	50 years
Structures and improvements	50 years
Pumping and water treatment equipment	25 years
Meters, hydrants, and services	20 years
Other equipment	5-10 years

Accounts Payable

Accounts payable represent expenses incurred in the current year to be paid in the subsequent year. Most of the Association’s accounts payable are to vendors or for the purchase of water.

Long-Term Debt

Long-term debt is reported as a liability. Loan discount is amortized over the term of the respective loans outstanding using the straight-line method.

Customer Deposits Held In Trust

The Association collects and holds in escrow a \$60 deposit from customers to insure collection of its water charges. Interest at an annual rate of 1% is paid on these deposits.

Income Taxes

The Association has received notification from the Internal Revenue Service that it qualifies as a 501(c)(12) tax exempt organization and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and similar provisions of state law.

The Association is not currently under audit, nor has it been contacted by the Internal Revenue Service. Based on the evaluation of the Association’s tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2023. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2021.

WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Use of Estimates

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

Accounting Pronouncement Adopted:

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases*, (Topic 842). ASU 2016-02 improves transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities in the statement of financial position, except for leases with lease terms of 12 months or less. Lease assets represent the right to use the underlying asset for the lease term, and lease liabilities represent the liability to make lease payments. Organizations are also required to disclose key information about leasing arrangements. ASU 2016-02 is effective for the Organization's year ended September 30, 2022.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. ASU 2020-07 includes additional disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. ASU 2020-07 was adopted by the Organization during the year ended September 30, 2022.

NOTE 2 – CASH AND CASH EQUIVALENTS

At December 31, 2023, the Association reported amounts on deposit in various banks before reconciling items of \$928,370 of which, \$250,000 were insured by the FDIC per bank and exposure of risk of loss in case of bank default in the amount of \$428,370. The Association maintains its cash with a high-quality financial institutions which the Association believes limit these risks.

NOTE 3 – RESTRICTED CASH

The Association includes all funds required for other debt services, and funds related to specific projects or customer accounts to be restricted. At December 31, 2023, and 2022, restricted cash amounted to \$254,264 and \$248,085, respectively. This includes restrictions for customer deposits of \$14,704 and \$13,805 and restrictions for debt service of \$239,560 and \$234,280, respectively.

WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 4 – CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

At December 31, 2023, and 2022, customer and other accounts receivable are as follows:

	<u>2023</u>	<u>2022</u>
Due from consumers sale of water	\$ 313,322	\$ 310,440
Allowance for doubtful accounts	<u>(2,698)</u>	<u>(2,698)</u>
	<u>\$ 310,624</u>	<u>\$ 307,742</u>

This does not include unbilled receivables of \$153,669.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, and 2022 was as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>December 31, 2022</u>	<u>Additions</u>	<u>December 31, 2023</u>
Land and Improvements	\$ 67,727	\$ -	\$ 67,727
Construction in progress	-	45,500	45,500
Intangible	7,677	-	7,677
Source of Supply and Pumping	16,899	-	16,899
Water Treatment Plant	651,261	-	651,261
Transmission and Distribution Plant	11,094,062	207,178	11,301,240
General Plant	45,455	-	45,455
Total Capital Assets	<u>11,883,081</u>	<u>252,678</u>	<u>12,135,759</u>
Less: Accumulated depreciation			
Intangible	7,677	-	7,677
Source of supply and pumping	11,154	242	11,396
Pumping plant	223,476	83,773	307,249
Transmission and distribution plant	5,819,392	201,083	6,020,475
General plant	43,747	670	44,417
Total accumulated depreciation	<u>6,105,446</u>	<u>285,768</u>	<u>6,391,214</u>
Total Capital Assets, Net	<u>\$ 5,777,635</u>	<u>\$ (33,090)</u>	<u>\$ 5,744,545</u>

WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 5 – CAPITAL ASSETS – (continued)

	Balance			Balance		
	December 31, 2021	Additions	Deductions	December 31, 2022		
Land and Improvements	\$ 67,727	\$ -	\$ -	\$ 67,727		
Construction in progress	-	-	-	-		
Intangible	7,677	-	-	7,677		
Source of Supply and Pumping	16,899	-	-	16,899		
Water Treatment Plant	651,261	-	-	651,261		
Transmission and Distribution Plant	11,013,082	80,980	-	11,094,062		
General Plant	45,456	-	-	45,456		
Total Capital Assets	11,802,102	80,980	-	11,883,082		
Less: Accumulated depreciation						
Intangible	7,677	-	-	7,677		
Source of supply and pumping	10,912	242	-	11,154		
Pumping plant	139,703	83,773	-	223,476		
Transmission and distribution plant	5,620,078	199,314	-	5,819,392		
General plant	41,282	2,465	-	43,747		
Total accumulated depreciation	5,819,652	285,794	-	6,105,446		
Total Capital Assets, Net	\$ 5,982,450	\$ (204,814)	\$ -	\$ 5,777,636		

NOTE 6 – LONG-TERM DEBT

The Association's long-term debt consists of notes payable to Rural Development (RD) which were obtained for various acquisitions of buildings and equipment. The notes mature annually in varying series over the period 2018 to 2058. A summary of the notes is presented below:

RURAL DEVELOPMENT

Date of Issue	Note Issue	Original Amount	Maturity Dates	Interest Rates	12/31/22			12/31/23		Due Within One Year
					Outstanding Balance	Additions	Retirements	Outstanding Balance		
9/26/1988	91-04	500,000	2028	5.00%	\$ 149,251	\$ -	\$ 23,266	\$ 125,985	\$ 23,174	
9/26/1988	91-05	153,000	2028	5.00%	45,624	-	6,752	38,872	7,089	
10/11/1995	91-06	516,000	2035	5.00%	291,231	-	16,347	274,884	17,164	
7/23/2002	91-07	1,536,000	2042	4.75%	1,119,350	-	34,129	1,085,221	35,836	
2/25/2018	91-09	1,260,000	2058	2.75%	1,175,665	-	19,706	1,155,959	20,248	
Total RD Bonds Payable					\$ 2,781,121	\$ -	\$ 100,200	\$ 2,680,921	\$ 103,511	

**WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED
NOTES TO THE FINANCIAL STATEMENTS**

Years ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM DEBT – (continued)

RURAL DEVELOPMENT

Date of Issue	Note Issue	Original Amount	Maturity Dates	Interest Rates	12/31/21			12/31/22	
					Outstanding Balance	Additions	Retirements	Outstanding Balance	Due Within One Year
9/26/1988	91-04	500,000	2028	5.00%	\$ 170,377	\$ -	\$ 21,126	\$ 149,251	\$ 22,070
9/26/1988	91-05	153,000	2028	5.00%	52,091	-	6,467	45,624	6,752
10/11/1995	91-06	516,000	2035	5.00%	306,743	-	15,512	291,231	16,347
7/23/2002	91-07	1,536,000	2042	4.75%	1,152,658	-	33,308	1,119,350	34,129
2/25/2018	91-09	1,260,000	2058	2.75%	1,195,140	-	19,475	1,175,665	19,707
Total RD Bonds Payable					\$ 2,877,009	\$ -	\$ 95,888	\$ 2,781,121	\$ 99,005

Future note principal and interest payment amounts are as follows:

LOCAL			
YEAR	PRINCIPAL	INTEREST	TOTAL
2024	103,511	108,823	212,334
2025	108,231	104,103	212,334
2026	113,176	99,159	212,335
2027	118,353	93,982	212,334
2028-32	511,095	395,192	906,287
2033-37	527,464	279,225	806,689
2038-42	547,865	165,988	713,852
2042-47	171,713	82,550	254,263
2048-52	204,313	56,532	260,845
2053-57	275,200	28,134	303,334
	\$ 2,680,921	\$ 1,413,687	\$ 4,094,608

**WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED
NOTES TO THE FINANCIAL STATEMENTS**

Years ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM DEBT – (continued)

<u>YEAR</u>	<u>LOCAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2023	99,005	113,330	212,334
2024	103,511	108,823	212,334
2025	108,231	104,103	212,334
2026	113,176	99,159	212,335
2027	118,353	93,982	212,334
2028-32	511,095	395,192	906,287
2033-37	528,661	279,225	807,886
2038-42	547,865	165,988	713,852
2042-47	171,713	82,550	254,263
2048-52	204,313	56,532	260,845
2053-57	275,199	28,134	303,333
	<u>\$ 2,781,121</u>	<u>\$ 1,527,017</u>	<u>\$ 4,308,138</u>

NOTE 8 – SERVICES PROVIDED BY WOOD CREEK WATER DISTRICT

West Laurel Water Association, Incorporated, has no employed personnel with the exception of its board members. The Association obtains all maintenance, construction (including materials), and office services through contractual agreements with Wood Creek Water District. Wood Creek Water District bills, at cost, West Laurel Water District, Incorporated for services and materials on a monthly basis. West Laurel Water Association Incorporated also purchases water for resale from Wood Creek Water District.

At December 31, 2023, and 2022, the Association had accounts payable to Wood Creek Water District as follows:

	<u>2023</u>	<u>2022</u>
<u>Wood Creek Water District</u>		
Accounts Payable	\$ 197,135	\$ 197,107
Accounts Payable - Wastewater	10,146	5,408
	<u>\$ 207,281</u>	<u>\$ 202,515</u>

WEST LAUREL WATER ASSOCIATION, INCORPORATED - CONTINUED
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE 8 – SERVICES PROVIDED BY WOOD CREEK WATER DISTRICT - (continued)

Amounts paid to Wood Creek Water District for purchased water and for materials and services provided to West Laurel Water Association, Incorporated are as follows:

	<u>2023</u>	<u>2022</u>
<u>West Laurel Water Association, Incorporated</u>		
Purchased water	\$ 1,246,184	\$ 1,277,660
Materials, labor, and other	935,662	954,853
	<u>\$ 2,181,846</u>	<u>\$ 2,232,513</u>

NOTE 9 – RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the Association carries commercial insurance. The insurance coverage is acquired through Wood Creek Water District which includes coverage for Wood Creek Water District, West Laurel Water Association, Incorporated, and East Laurel Water District. The Association pays for and is entitled to its respective share of coverage. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

NOTE 10 – LIQUIDITY AND AVAILABILITY

The Association has \$1,225,111 in current financial assets within one year of the statement of financial position date at December 31, 2023, consisting of cash, accounts receivable, and prepaid expenses. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Association has a goal to maintain liquid financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which are approximately \$706,921.

NOTE 11 – SUBSEQUENT EVENTS

The management of the Association has evaluated subsequent events through the date of the audit report, the date on which the financial statements were available to be issued. No events have occurred that would require adjustment to or disclosure in the financial statements.



Cloyd & Associates, PSC
Certified Public Accountants
and
Business Advisors

**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 Commissioners
West Laurel Water Association, Incorporated
London, Kentucky

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 business-type activities of West Laurel Water Association, Incorporated, as of and for the years ended December 31, 2023, and 2022, and the related notes to the financial statements, which collectively comprise West Laurel Water Association, Incorporated basic financial statements, and have issued our report thereon dated May 30, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Laurel Water Association, Incorporated's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Laurel Water Association, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Laurel Water Association, Incorporated'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Laurel Water Association, Incorporated's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
May 30, 2024