
GRAVES COUNTY WATER DISTRICT

AUDIT REPORT

For the Year Ended
December 31, 2023

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INDEPENDENT AUDITOR’S REPORT

To the Board of Commissioners
Graves County Water District
Mayfield, Kentucky

Opinion

We have audited the accompanying financial statements of the Graves County Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Graves County Water District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of the Graves County Water District as of December 31, 2023, the revenues it earned and expenses it incurred, and its cash flows for the year then ended on the basis of accounting described in Note 1 and in accordance with the financial reporting provisions of the Public Service Commission described in Note 1.

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 Graves County Water District, 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.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Graves County Water District, in accordance with the financial reporting provisions of Public Service Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Public Service Commission. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Public Service Commission, as described in Note 1. Management is also responsible 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.

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 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 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 are considered material if there is a substantial

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

The Graves County Water District has not presented Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Graves County Water District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Commissioners
Graves County Water District
Mayfield, Kentucky

Other Reporting Required by *Government Auditing Standards*

In accordance with the *Government Auditing Standards*, we have also issued our report dated May 31, 2024 on our consideration of the Graves County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and 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 the Graves County Water District, Mayfield, Kentucky internal control over financial reporting and compliance.



Romaine & Associates, PLLC
Mayfield, Kentucky
May 31, 2024

GRAVES COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

CURRENT ASSETS

| | | |
|------------------------------|----|---------|
| Cash and cash equivalents | \$ | 356,564 |
| Customer accounts receivable | | 183,075 |
| Prepaid Insurance | | 18,501 |
| Total current assets | | 558,140 |

NONCURRENT ASSETS

| | | |
|-----------------|--|---------|
| Restricted cash | | 308,933 |
|-----------------|--|---------|

CAPITAL ASSETS

| | | |
|---|--|--------------|
| Depreciable capital assets: | | |
| Utility plant in service, at cost | | 20,259,586 |
| Less accumulated provision for depreciation computed by the straight-line method | | (12,664,575) |
| Total capital assets | | 7,595,011 |

TOTAL NONCURRENT ASSETS

| | | |
|---------------------|----|-----------|
| | | 7,903,944 |
| Total assets | \$ | 8,462,084 |

CURRENT LIABILITIES

| | | |
|---------------------------------------|----|---------|
| Accounts payable and accrued expenses | \$ | 127,499 |
| Customer deposits | | 190,125 |
| Land condemnation escrow | | 5,478 |
| Current portion of long-term debt | | 114,283 |
| Total current liabilities | | 437,385 |

LONG-TERM LIABILITIES

| | | |
|--------------------------------------|--|---------|
| Long-term debt, less current portion | | 523,634 |
| Total long-term liabilities | | 523,634 |

TOTAL LIABILITIES

| | | |
|--|--|---------|
| | | 961,019 |
|--|--|---------|

NET POSITION

| | | |
|--|--|-----------|
| Invested in capital assets, net of related debt | | 6,633,992 |
| Restricted for maintenance and replacement reserve | | 308,933 |
| Unrestricted | | 558,140 |
| Total net position | | 7,501,065 |

TOTAL LIABILITIES AND NET POSITION

| | | |
|--|----|-----------|
| | \$ | 8,462,084 |
|--|----|-----------|

GRAVES COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUE

| | | |
|-------------------------------|----|------------------|
| Charge for services | \$ | 2,272,358 |
| Other income | | 104,961 |
| Total operating income | | <u>2,377,319</u> |

OPERATING EXPENSE

| | | |
|---------------------------------|--|------------------|
| Commissioners salaries | | 24,300 |
| Purchased power | | 112,221 |
| Purchased water | | 312,335 |
| Chemicals | | 161,310 |
| Materials & supplies | | 203,204 |
| Rental equipment | | 127,750 |
| Contractual services | | 1,150,866 |
| Insurance | | 27,752 |
| Miscellaneous | | 41,006 |
| Bad debt | | 23,233 |
| Depreciation and amortization | | 362,994 |
| Tax & license | | 5,510 |
| Total operating expenses | | <u>2,552,481</u> |

Operating income (loss) (175,162)

NONOPERATING REVENUES (EXPENSES)

| | | |
|---|--|---------------|
| Interest income | | 15,254 |
| Interest expense | | (12,081) |
| Grant proceeds | | 75,042 |
| Nonutility income | | 7,000 |
| Total nonoperating revenues (expenses) | | <u>85,215</u> |

Net Income (89,947)

NET POSITION

| | | |
|------------------------------|----|-------------------------|
| Beginning of year (Adjusted) | | <u>7,591,012</u> |
| End of year | \$ | <u><u>7,501,065</u></u> |

**GRAVES COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Cash received from customers | \$ 2,381,870 |
| Cash payments to suppliers for goods and services | (2,707,117) |
| Customer deposits received | 2,320 |
| Net cash provided by operating activities | (322,927) |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|------------------|
| Principal payments | (109,866) |
| Interest paid | (11,676) |
| Interest paid on customer deposits | (683) |
| Utility plant additions and improvements | (233,167) |
| Net cash provided by (used for) capital and related financing activities | (280,350) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|---------------|
| Other nonutility expense | 7,000 |
| Interest income | 15,254 |
| Net cash provided by (used for) investing activities | 22,254 |

| | |
|---|-----------|
| Net decrease in cash and cash equivalents | (581,023) |
|---|-----------|

CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR (ADJUSTED)

| | |
|--|-----------|
| | 1,246,520 |
|--|-----------|

CASH AND CASH EQUIVALENTS - END OF THE YEAR

| | |
|--|---------|
| | 665,497 |
|--|---------|

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

| | |
|--|---------------------|
| Operating income (loss) | (175,162) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation and amortization | 362,854 |
| Changes in assets and liabilities: | |
| Accounts receivable | 4,551 |
| Accounts payable and accrued expenses | (517,908) |
| Customer deposits | 2,320 |
| Net cash provided by operating activities | \$ (323,345) |

Supplemental Information

| | |
|---------------|-----------|
| Interest Paid | \$ 12,359 |
|---------------|-----------|

Cash

| | |
|-------------------|-------------------|
| Cash in Banks | \$ 356,564 |
| Restricted Cash | 308,933 |
| Total Cash | \$ 665,497 |

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

Note 1. Description of Entity & Significant Accounting Policies

The Graves County Water District is engaged in providing water and sewer supply to approximately 3,179 customers who live in the Graves County, Kentucky area. The district was created in 2008 by the merger of four water districts formerly known as Consumers, Fancy Farm, South Graves and Hardeman under Chapter 14 of the Kentucky Revised Statutes. Effective January 1, 2013, the Hickory Water District was merged with the Graves County Water District. Effective May 1, 2016 Sedalia Water District was merged with the Graves County Water District.

In evaluating how to define the Graves County Water District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

Basis of Presentation and Accounting:

As stated in Kentucky Revised Statutes (KRS) 278.012, "any water association formed for the purpose of furnishing water services to the general public pursuant to KRS Chapter 273 is deemed to be and shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission". In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. This uniform system of accounts is presented on the accrual basis in accordance with practices prescribed by the Public Service Commission. In accordance with the Public Service Commission's regulations, costs associated with hook-up fees are capitalized as meters, installations and services. This practice differs from generally accepted accounting principles under which these costs and the related fees are recorded as operating expenses and revenues. Except for this regulatory difference, the Public Service Commission prescribes the use of Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. . The system has adopted and now follows GASB 62, which codified certain GASB pronouncements.

The District's has adopted GASB Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments and related standards, except as noted herein. The management of the System, as noted in the Auditor's Report, has elected to omit the Management's Discussion and Analysis.

This standard provided significant required changes in terminology; recognition of contributions in the statement of revenues, expenses and changes in net assets; inclusion of a management's discussion and analysis as supplementary information; and other changes.

The Graves County Water District is operated as a proprietary and/or enterprise fund. Proprietary Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Note 1. Description of Entity & Significant Accounting Policies- (Continued)

Basis of Presentation and Accounting: (Continued)

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets regulatory basis. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted, constraints imposed by creditors/grantors/laws/or contributions; and unrestricted components, all other. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, unrestricted resources are used first.

Revenues and Expenses:

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities.

Property and Equipment:

Property and equipment purchased or constructed are stated at cost. The cost of meters, including installation, is capitalized. Interest related to costs, and major improvements, renewals and replacements is capitalized as a cost of the project. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Expenses for maintenance and repairs that do not increase the useful life of the asset are charged to operations as they are incurred. The District does not have a particular dollar amount threshold for capitalization purposes.

Income Taxes:

The Graves County Water District is not subject to income taxes.

Contributed Capital:

The District has adopted Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires governments to recognize capital contributions to proprietary funds as revenues, instead of contributed capital.

Prior to implementation of GASB No. 33, the fair market value of donated property received by the District, impact fees, tap on fees and grants which were restricted for the acquisition or construction of capital assets, were recorded as contributed capital.

Statement of Cash Flows:

For purposes of reporting cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Reclassifications:

For clarification purposes, reclassifications have been made to certain previously reported amounts.

Net Position:

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

**GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023**

Note 1. Description of Entity & Significant Accounting Policies- (Continued)

Net Position:-(continued)

Invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position- This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Deferred Outflows and Inflows of Resources:

Pursuant to GASB Statement Number 63 and GASB Statement Number 65, the water district recognizes deferred outflows and inflows or resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future period.

Note 2. Cash

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Graves County Water District’s policies regarding deposits of cash are discussed above. The table presented below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at December 31, 2023. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the Pledging financial institution, or by its trust department or agent, but not in the District’s name; or collateralized with no written or approved collateral agreement.

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Note 2. Cash – (Continued)

December 31, 2023

| <u>Type of Deposits</u> | <u>Total Bank Balance</u> | <u>Custody Credit Risk Category</u> | | |
|-------------------------|---------------------------|-------------------------------------|-------------|-------------|
| | | <u>1</u> | <u>2</u> | <u>3</u> |
| Demand Deposits-FNB | \$ 331,638 | \$ 331,638 | \$ - | \$ - |
| Time Deposits-FNB | <u>333,859</u> | <u>333,859</u> | <u>-</u> | <u>-</u> |
| Total Deposits | <u>\$ 665,497</u> | <u>\$ 665,497</u> | <u>\$ -</u> | <u>\$ -</u> |

Custodial Credit Risk – Deposits

Custodial credit risk in the event of a depository institution failure, the entity’s deposits may not be returned. The Graves County Water District does not have a depository policy for custodial credit risk. As of December 31, 2023, public funds were not exposed to custodial credit risk.

Note 3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 4. Grants/Loans

In the normal course of operations, the District receives grant/loan funds from various Federal and/or State agencies. The grant/loan programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting/loaning of funds. Any liability for reimbursement which may arise as the result of an audit is not believed to be material.

Note 5. Customer Accounts Receivable

The District provides an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal billing receivables are due 15 days after billing. Receivables past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. No provision for doubtful accounts has been made at December 31, 2023, as management considers all amounts fully collectible.

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Note 6. Maintenance and Replacement Reserve

In accordance with both loan agreements with the Kentucky Infrastructure Authority, a maintenance and replacement reserve account are required to receive an amount equal to 10% of the amount of loan payments until the amount in such account is equal to 5% of the original principal amount of the loans. The Fancy Farm Interconnect reserve was based on \$500,000 at 5%. Water Loss Reduction was placed into service during the 2019 fiscal year to help alleviate the expense for water loss throughout the water district. The Customer Deposit account is maintained in relation to the liability incurred by the Graves County Water District when customers make a deposit with the water district when the customer opens an account. The Hickory Debt was retired and thus the reserve accounts were retired.

Restricted cash consists of the following:

| Note | Original Balance | Total Reserve | Current Reserve |
|--|------------------|------------------|-------------------|
| South Graves Water District B07-03 | \$849,154 | \$ 42,458 | \$ 42,458 |
| Fancy Farm Water District B05-04 | \$596,776 | 29,839 | 29,839 |
| Fancy Farm Interconnect B11-02 | \$780,000 | 25,000 | 25,000 |
| Water Loss Reduction | | | 156,279 |
| Customer Deposit | | | 55,357 |
| Original Balance of Reserve for all notes | | \$ 97,297 | \$ 308,933 |

Note 7. Budget

The budget for the proprietary fund operation is prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditure is expected to be made. Budgeted appropriations lapse at year-end.

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Note 8. Capital Assets

A summary of the Graves County Water District's change in capital assets during 2023 is as follows:

| <u>Water System</u> | | | | |
|---------------------------------------|--------------------------|--------------------|------------------|-----------------------|
| <u>Description</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
| Organization | \$ 85,680 | \$ - | \$ - | \$ 85,680 |
| Franchises | 7,921 | | | 7,921 |
| Land & Land Rights | 50,186 | | | 50,186 |
| Structures & Improvements | 1,636,183 | 20,287 | 17,041 | 1,639,429 |
| Collecting & Impounding Res | 54,620 | | | 54,620 |
| Lake, River Other Intakes | 88,226 | | | 88,226 |
| Wells and Springs | 557,164 | 5,680 | | 562,844 |
| Power Generation Equipment | 17,141 | | | 17,141 |
| Pumping Equipment | 326,592 | 824 | | 327,416 |
| Water Treatment Equipment | 529,054 | | | 529,054 |
| Distribution Reservoirs | 3,015,079 | 89,761 | | 3,104,840 |
| Transmission and Distribution Mains | 8,560,001 | 50,105 | | 8,610,106 |
| Services | 319,701 | | | 319,701 |
| Meters | 2,712,705 | 78,951 | | 2,791,656 |
| Hydrants | 127,104 | | | 127,104 |
| Plant and Misc Equipment | 77,796 | | | 77,796 |
| Furniture and Equipment | 75,566 | | | 75,566 |
| Transportation Stores Equipment | 10,750 | | | 10,750 |
| Tools, Shop & Garage Equipment | 2,158 | | | 2,158 |
| Power Operated Equipment | 31,209 | | | 31,209 |
| Miscellaneous | 6,456 | | | 6,456 |
| Other Tangible | 4,000 | | | 4,000 |
| Total at Historical Cost | 18,295,292 | 245,608 | 17,041 | 18,523,859 |
| Less: Accumulated Depreciation | | | | |
| Total Accumulated Depreciation | (10,851,340) | (341,954) | | (11,193,294) |
| Capital Assets, Net | \$ 7,443,952 | \$ (96,346) | \$ 17,041 | \$ 7,330,565 |

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Note 8. Capital Assets- (Continued)

Sewer System

| | | | | |
|---------------------------------------|--------------------|--------------------|-------------|--------------------|
| Land & Land Rights | \$ 11,319 | \$ - | \$ - | \$ 11,319 |
| Structures & Improvements | 459,277 | | | 459,277 |
| Collection System-Force | 626,832 | | | 626,832 |
| Collection System-Gravity | 55,473 | | | 55,473 |
| Other Collection Plant Facilities | 41,741 | | | 41,741 |
| Services | 2,104 | | | 2,104 |
| Receiving Wells & Pump | 330,535 | | | 330,535 |
| Pumping Equipment | 51,966 | 4,600 | | 56,566 |
| Other Pumping Equipment | 19,420 | | | 19,420 |
| Oxidation Lagoon | 105,651 | | | 105,651 |
| Plant Sewer | 22,186 | | | 22,186 |
| Tools, Shop & Garage Equipment | 2,362 | | | 2,362 |
| Communication Equipment | 450 | | | 450 |
| Miscellaneous | 1,811 | | | 1,811 |
| Total at Historical Cost | <u>1,731,127</u> | <u>4,600</u> | <u>-</u> | <u>1,735,727</u> |
| Less: Accumulated Depreciation | | | | |
| Total Accumulated Depreciation | <u>(1,450,381)</u> | <u>(20,900)</u> | <u>-</u> | <u>(1,471,281)</u> |
| Capital Assets, Net | <u>\$ 280,746</u> | <u>\$ (16,300)</u> | <u>\$ -</u> | <u>\$ 264,446</u> |

Note 9. Long Term Debt

A. Direct Borrowings and Direct Placements

KIA B05-04

Graves County Water District assumed a note between Fancy Farm Water District and the Kentucky Infrastructure Authority the original amount of this note was \$596,776 the amount assumed was \$525,271. Principal and interest payments are due semi-annually for 20 years. The note bears interest of .48%. During the year, both interest and principal payments were made in accordance with the note agreement. As of December 31, 2023, the balance was \$51,822.

Future principal and interest payments are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest and Fees</u> | <u>Total Payment</u> |
|-------------|------------------|------------------------------|--------------------------|
| 2024 | \$ 20,654 | \$ 317 | \$ 20,971 |
| 2025 | 20,754 | 177 | 20,931 |
| 2026 | 10,414 | 35 | 10,449 |
| Total | <u>\$ 51,822</u> | <u>\$ 529</u> | <u>\$ 52,351</u> |

**GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023**

Note 9. Long-Term Debt - (Continued)

A. Direct Borrowing and Direct Placements (Continued)

KIA B07-03

Note payable to Kentucky Infrastructure Authority bearing interest of .40%. Principal and interest are payable semi-annually on the note. This note was assumed by the Water district on behalf of South Graves Water District in the amount of \$849,154. As of December 31, 2023, the balance was \$154,073.

Future principal and interest payments are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest and Fees</u> | <u>Total Payment</u> |
|-------------|-------------------|------------------------------|--------------------------|
| 2024 | \$ 51,153 | \$ 848 | \$ 52,001 |
| 2025 | 51,357 | 541 | 51,898 |
| 2026 | 51,563 | 232 | 51,795 |
| Total | <u>\$ 154,073</u> | <u>\$ 1,621</u> | <u>\$ 155,694</u> |

KIA B11-02

Note payable to Kentucky Infrastructure Authority for \$1,000,000 bearing interest of 2% for twenty years. The Note is to fund the Fancy Farm Area Interconnect and the Automated Meter Upgrades. Payments are calculated on 20-year semi-annual payments bearing 2% interest. The following is the final amortization. An annual reserve amount of \$2,500 will be required with a maximum reserve of \$25,000. As of December 31, 2023, the balance was \$428,678.

Future principal and interest payments are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest and Fees</u> | <u>Total Payment</u> |
|-------------|-------------------|------------------------------|--------------------------|
| 2024 | \$ 39,132 | \$ 9,217 | \$ 48,349 |
| 2025 | 39,918 | 8,352 | 48,270 |
| 2026 | 40,721 | 7,469 | 48,190 |
| 2027 | 41,539 | 6,569 | 48,108 |
| 2028 | 42,374 | 5,650 | 48,024 |
| 2029-2033 | 224,994 | 13,815 | 238,809 |
| | <u>\$ 428,678</u> | <u>\$ 51,072</u> | <u>\$ 479,750</u> |

Graves County Fiscal Court

The Sedalia County Water District merged with the Graves County Water District during the fiscal year 2016. The Sedalia Water District had a loan with the Graves County Fiscal Court in the amount of \$3,344. The Graves County Fiscal Court balance as of December 31, 2023 is \$3,344.

GRAVES COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

Note 9. Long-Term Debt - (Continued)

B. Changes in Long-Term Debt

Changes in Long- Term Debt consist of the following:

| Description | Beginning Balance | Additions | Deletions | Ending Balance | Payable Within One Year |
|--------------------------------|----------------------|-------------|-------------------|-------------------|----------------------------|
| N/P KIA #B05-04 | \$ 72,378 | \$ - | \$ 20,556 | \$ 51,822 | \$ 20,654 |
| N/P KIA #B07-03 | 205,022 | - | 50,949 | 154,073 | 51,153 |
| N/P KIA #B11-02 | 467,039 | - | 38,361 | 428,678 | 39,132 |
| N/P Graves County Fiscal Court | 3,344 | - | - | 3,344 | 3,344 |
| Totals | <u>\$ 747,783</u> | <u>\$ -</u> | <u>\$ 109,866</u> | <u>\$ 637,917</u> | <u>\$ 114,283</u> |

C. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations for the year ended June 30, 2023, was as follows:

| Year Ending December 31, | Business-Type Activities | |
|--------------------------|------------------------------|------------------|
| | Notes from Direct Borrowings | |
| | Principal | Interest |
| 2024 | \$ 110,939 | \$ 10,382 |
| 2025 | 112,029 | 9,070 |
| 2026 | 102,698 | 7,736 |
| 2027 | 41,539 | 6,569 |
| 2028 | 42,374 | 5,650 |
| 2029-2033 | 224,994 | 13,815 |
| | <u>\$ 634,573</u> | <u>\$ 53,222</u> |

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The District carries commercial insurance for risk of loss. The District did not settle claims that exceeded the District's commercial insurance coverage in any of the past three years.

Note 11. Grant Proceeds

The District received a Federal grant in the amount of \$600,000, in order to rehab and paint the South Graves and Sedalia water tanks. During the fiscal year 2022, \$524,958 was received and disbursed. During the fiscal year 2023, the remaining \$75,042 was received and disbursed.

Note 12. Miscellaneous Nonutility Revenue

The District received \$7,000 for a building rental during 2023.

Note 13. Subsequent Event

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 31, 2023, the date financial statements were available to be issued and no subsequent events were noted.

**GRAVES COUNTY WATER DISTRICT
COMBINED STATEMENTS OF NET POSITION
DECEMBER 31, 2023**

| | Water Fund | Sewer Fund | Totals |
|---|-----------------------|-----------------------|---------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ (168,111) | \$ 524,675 | \$ 356,564 |
| Customer accounts receivable | 174,704 | 8,371 | 183,075 |
| Prepaid insurance | 16,959 | 1,542 | 18,501 |
| Total current assets | <u>23,552</u> | <u>534,588</u> | <u>558,140</u> |
| NONCURRENT ASSETS | | | |
| Restricted cash | <u>308,933</u> | <u>-</u> | <u>308,933</u> |
| Depreciable capital assets: | | | |
| Utility plant in service, at cost | 18,523,859 | 1,735,727 | \$ 20,259,586 |
| Less accumulated provision for depreciation computed by the straight-line method | <u>(11,193,294)</u> | <u>(1,471,281)</u> | <u>(12,664,575)</u> |
| Total capital assets | <u>7,330,565</u> | <u>264,446</u> | <u>7,595,011</u> |
| TOTAL NONCURRENT ASSETS | <u>7,639,498</u> | <u>264,446</u> | <u>7,903,944</u> |
| TOTAL ASSETS | <u>\$ 7,663,050</u> | <u>\$ 799,034</u> | <u>\$ 8,462,084</u> |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 123,849 | \$ 3,650 | \$ 127,499 |
| Customer deposits | 190,125 | - | 190,125 |
| Land condemnation escrow | 5,478 | - | 5,478 |
| Current portion of long-term debt | <u>114,283</u> | <u>-</u> | <u>114,283</u> |
| Total current liabilities | <u>433,735</u> | <u>3,650</u> | <u>437,385</u> |
| NONCURRENT LIABILITIES | | | |
| Long-term debt | <u>523,634</u> | <u>-</u> | <u>523,634</u> |
| Total noncurrent liabilities | <u>523,634</u> | <u>-</u> | <u>523,634</u> |
| Total liabilities | <u>957,369</u> | <u>3,650</u> | <u>961,019</u> |
| NET POSITION | | | |
| Investments in capital assets, net of related debt | 6,373,196 | 260,796 | 6,633,992 |
| Restricted for maintenance and replacement reserve | 308,933 | - | 308,933 |
| Unrestricted | <u>23,552</u> | <u>534,588</u> | <u>558,140</u> |
| Total net position | <u>6,705,681</u> | <u>795,384</u> | <u>7,501,065</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 7,663,050</u> | <u>\$ 799,034</u> | <u>\$ 8,462,084</u> |

GRAVES COUNTY WATER DISTRICT
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Water Fund | Sewer Fund | Totals |
|---|-----------------------|-----------------------|---------------------|
| OPERATING REVENUE | | | |
| Charge for services | \$ 2,171,725 | \$ 100,633 | \$ 2,272,358 |
| Other income | 104,961 | - | 104,961 |
| Total operating income | <u>2,276,686</u> | <u>100,633</u> | <u>2,377,319</u> |
| OPERATING EXPENSE | | | |
| Commissioners salaries | 22,225 | 2,075 | 24,300 |
| Purchased power | 103,380 | 8,841 | 112,221 |
| Purchased water | 312,335 | - | 312,335 |
| Chemicals | 145,723 | 15,587 | 161,310 |
| Materials and supplies | 198,131 | 5,073 | 203,204 |
| Equipment rental | 127,750 | - | 127,750 |
| Contractual services | 1,112,225 | 38,641 | 1,150,866 |
| Insurance | 25,440 | 2,312 | 27,752 |
| Miscellaneous | 39,189 | 1,817 | 41,006 |
| Bad debt | 23,233 | - | 23,233 |
| Depreciation and amortization | 341,954 | 21,040 | 362,994 |
| Tax and license | 5,249 | 261 | 5,510 |
| Total operating expenses | <u>2,456,834</u> | <u>95,647</u> | <u>2,552,481</u> |
| Operating income (loss) | <u>(180,148)</u> | <u>4,986</u> | <u>(175,162)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 15,172 | 82 | 15,254 |
| Interest expense | (12,081) | - | (12,081) |
| Grant proceeds | 75,042 | - | 75,042 |
| Misc nonutility revenue | - | 7,000 | 7,000 |
| Nonoperating revenues (expenses) | <u>78,133</u> | <u>7,082</u> | <u>85,215</u> |
| Income (loss) before capital contributions | <u>(102,015)</u> | <u>12,068</u> | <u>(89,947)</u> |
| NET POSITION | | | |
| Beginning of year | <u>6,807,696</u> | <u>783,316</u> | <u>7,591,012</u> |
| End of year | <u>\$ 6,705,681</u> | <u>\$ 795,384</u> | <u>\$ 7,501,065</u> |

**GRAVES COUNTY WATER DISTRICT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | Water Fund | Sewer Fund | Totals |
|--|-----------------------|-----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 2,281,302 | \$ 100,568 | \$ 2,381,870 |
| Cash payments to suppliers for goods and services | (2,630,567) | (76,550) | (2,707,117) |
| Customer deposits received | 2,320 | - | 2,320 |
| Net cash provided by operating activities | (346,945) | 24,018 | (322,927) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal payments | (109,866) | - | (109,866) |
| Interest paid | (11,676) | - | (11,676) |
| Interest paid on customer deposits | (683) | - | (683) |
| Grant proceeds | 75,042 | - | 75,042 |
| Utility plant additions, deletions and improvements, net | (228,567) | (4,600) | (233,167) |
| Net cash provided by (used for) capital and related financing activities | (275,750) | (4,600) | (280,350) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Other nonutility | - | 7,000 | 7,000 |
| Interest income | 15,172 | 82 | 15,254 |
| Net cash provided by (used for) investing activities | 15,172 | 7,082 | 22,254 |
| Net decrease in cash and cash equivalents | (607,523) | 26,500 | (581,023) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR | 748,345 | 498,175 | 1,246,520 |
| CASH AND CASH EQUIVALENTS - END OF THE YEAR | \$ 140,822 | \$ 524,675 | \$ 665,497 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (180,148) | \$ 4,986 | \$ (175,162) |
| Adjustments to reconcile operating income (loss) to cash provided by operating activities: | | | |
| Depreciation and amortization | 341,954 | 20,900 | 362,854 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 4,616 | (65) | 4,551 |
| Prepaid insurance | - | - | - |
| Accounts payable and accrued expenses | (515,965) | (1,943) | (517,908) |
| Customer deposits | 2,320 | - | 2,320 |
| Net cash provided by operating activities | \$ (347,223) | \$ 23,878 | \$ (323,345) |
| Supplemental Information | | | |
| Interest Paid | \$ 12,359 | \$ - | \$ 12,359 |
| Cash | | | |
| Cash in Banks | \$ (168,111) | \$ 524,675 | \$ 356,564 |
| Restricted Cash | 308,933 | - | 308,933 |
| Total Cash | \$ 140,822 | \$ 524,675 | \$ 665,497 |



**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 Commissioners
Graves County Water District
Mayfield, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Graves County Water District, for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2024. The Graves County Water District financial statements are prepared on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed by the Public Service Commission.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Graves County Water District's internal control over financial reporting (internal control) to determine the 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 Graves County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Graves County Water District's internal control.

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

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

Compliance and Other Matters

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

To the Board of Commissioners
Graves County Water District

Purpose of This Report

This 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.

A handwritten signature in black ink, appearing to be 'K. J. P.', written over a faint circular stamp.

Romaine & Associates, PLLC
Mayfield, Kentucky
May 31, 2024