

Grayson County Water District
Audited Financial Statements and
Required Supplementary Information
December 31, 2024

Jones & Associates CPAs, PSC
Certified Public Accountants



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To Management and the Board of
Grayson County Water District
21 Shull White Road
Leitchfield, KY 42754

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Grayson County Water District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Grayson County Water District's basic financial statements as listed in the table of contents.

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 Grayson County Water District as of December 31, 2024, and the respective changes in financial position and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grayson 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.

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 Grayson County Water District'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.

**To the Board of Commissioners of
Grayson County Water District
Independent Auditor's Report
(Continued)**

Report on the Audit of the Financial Statements (Continued)

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 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 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 Grayson County Water District'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 Grayson County Water 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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**To the Board of Commissioners of
Grayson County Water District
Independent Auditor's Report
(Continued)**

Report on the Audit of the Financial Statements (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 basic 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 basic financial statements. The 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic 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 September 9, 2025, on our consideration of Grayson County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Grayson County Water District'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 Grayson County Water District's internal control over financial reporting and compliance.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

September 9, 2025

Financial Statements

Grayson County Water District
Statement of Net Position - Proprietary Fund
December 31, 2024

Assets

Current assets	
Cash and cash equivalents	\$ 1,230,106
Accounts receivable, net	341,333
Unbilled receivables	198,471
Prepaid expenses	85,184
Inventory	<u>749,544</u>

Total current assets	\$ <u>2,604,638</u>
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Noncurrent assets	
Restricted cash and cash equivalents	\$ 1,649,524
Capital assets, net	<u>30,879,907</u>

Total noncurrent assets	\$ <u>32,529,431</u>
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Total assets	\$ <u><u>35,134,069</u></u>
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Liabilities and net position

Current Liabilities	
Accounts payable	\$ 73,358
Payroll and related liabilities	72,595
Vacation leave payable	109,813
Interest payable from restricted assets	90,121
Customer deposits	68,240
School and sales taxes payable	14,385
Bonds and loans payable, net	<u>436,564</u>

Total current liabilities	\$ <u>865,076</u>
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Noncurrent liabilities	
Bonds and loans payable, net	\$ <u>16,935,833</u>

Total noncurrent liabilities	\$ <u>16,935,833</u>
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Total liabilities	\$ <u>17,800,909</u>
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Net position	
Net investment in capital assets	\$ 13,815,764
Restricted for	
Debt service	496,317
Depreciation reserves	1,153,207
Unrestricted	<u>1,867,872</u>

Total net position	\$ <u>17,333,160</u>
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Total liabilities and net position	\$ <u><u>35,134,069</u></u>
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The accompanying notes are an integral part of the financial statements.

Grayson County Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2024

Operating revenues

Residential metered sales	\$ 3,813,907
Commercial metered sales	676,421
Agricultural metered sales	115,846
Resale metered sales	35,031
Forfeited Discounts	60,263
Miscellaneous service revenue	23,659

Total operating revenues	\$ 4,725,127

Operating expenses

Purchased water	\$ 673,975

Supply and pumping expenses

Purchased power	\$ 51,874
Materials and supplies	9,595
Insurance	16,131
Transportation	7,021
Payroll and contractual services	241,456
Miscellaneous	1,000

Total supply and pumping expense	\$ 327,077

Water treatment expense

Purchased power	\$ 137,522
Materials and supplies	221,059
Insurance	14,937
Transportation	2,458
Payroll and contractual services	482,321
Professional services	25,598
Miscellaneous	10,024

Total Water treatment expense	\$ 893,919

General distribution expense

Purchased power	\$ 3,464
Materials and supplies	21,730
Insurance	14,937
Transportation	28,896
Payroll and contractual services	276,823
Miscellaneous	65,346

Total general distribution expense	\$ 411,196

Maintenance expense

Transportation	\$ 9,120
Payroll and contractual services	170,131
Distributions	9,877
Services	4,909

Total maintenance expense	\$ 194,037

Grayson County Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2024
(Continued)

Customer accounts expense	
Bad debt expense	11,459
Materials and supplies	89,645
Transportation	33,550
Payroll and contractual services	519,051
Customer records	146,434
Miscellaneous	10,881
Total customer accounts expense	\$ 811,020
Administrative and general expense	
Materials and supplies	\$ 61,930
Insurance	30,295
Transportation	7,021
Payroll and contractual services	327,647
Professional services	67,420
Miscellaneous	107,497
Total administrative and general expense	\$ 601,810
Depreciation expense	\$ 960,235
Total operating expenses	\$ 4,873,269
Total operating revenues (expenses)	\$ (148,142)
Non-operating revenues (expenses)	
Grant income	\$ 276,036
Rent income	77,827
Interest income	1,171
Interest expense	(184,699)
PSC taxes	(7,013)
Total non-operating revenues (expenses)	\$ 163,322
Income (loss) before capital contributions	\$ 15,180
Capital contributions	
Contributions in aid of construction	\$ 200,833
Total capital contributions	\$ 200,833
Change in net position	\$ 216,013
Total net position - Beginning of year	17,117,147
Total net position - End of year	\$ 17,333,160

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

Grayson County Water District
Statement of Cash Flows
For the Year Ended December 31, 2024

Cash flows from operating activities	
Receipts from customers	\$ 4,639,326
Payments to suppliers	(2,330,634)
Payments for payroll and contractual services	(2,038,598)
Other receipts (payments)	<u>(10,664)</u>
Net cash provided (used) by operating activities	\$ 259,430
Cash flows from capital and related financing activities	
Grant income	\$ 463,875
Proceeds from capital debt	2,973,878
Capital contributions	(397,500)
Principal repayments of capital debt	200,833
Purchase of capital assets	(4,000,364)
Rent Income	77,827
Proceeds on sale of capital assets	18,750
Interest paid on capital debt	(219,358)
Additions to interest on customer deposits	<u>2,961</u>
Net cash flows from capital and related financing activities	\$ (879,098)
Cash flows from investing activities	
Interest income	\$ <u>1,171</u>
Net cash flows from investing activities	\$ <u>1,171</u>
Net increase (decrease) in cash and cash equivalents	\$ (618,497)
Cash and cash equivalents - Beginning	<u>3,498,127</u>
Cash and cash equivalents - Ending	\$ <u><u>2,879,630</u></u>
Cash and cash equivalents reported in the Statement of Net Position	
Cash and cash equivalents	\$ 1,230,106
Restricted cash and cash equivalents	<u>1,649,524</u>
Total cash and cash equivalents reported in the Statement of Net Position	\$ <u><u>2,879,630</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (148,142)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Depreciation expense	960,235
PSC taxes	(7,013)
Changes in assets and liabilities	
Net (increase) decrease in accounts receivable	(68,247)
Net (increase) decrease in unbilled revenue	(17,554)
Net (increase) decrease in prepaid expenses	(19,838)
Net (increase) decrease in inventory	(415,191)
Net increase (decrease) in accounts payable	(42,489)
Net increase (decrease) in accrued liabilities	21,320
Net increase (decrease) in school and sales taxes payable	2,169
Net increase (decrease) in customer deposits	<u>(5,820)</u>
Net cash provided (used) by operating activities	\$ <u><u>259,430</u></u>

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

**Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024**

Note 1. Description of Entity and Summary of Significant Accounting Policies

A. Description of Entity

The Grayson County Water District (District) is a tax-exempt division of county government organized under KRS 74.010. The District provides a municipal water system to citizens located in the geographic area of the system.

B. Basis of Presentation and Accounting

The financial statements are presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB). The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All of the activities are accounted for as an enterprise fund (a proprietary fund) for financial reporting purposes.

C. Proprietary Fund

The District is a single-enterprise proprietary fund that operates in a manner similar to a private business enterprise and for which a periodic determination of revenues earned, expenses incurred, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. District activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized as soon as they result in liabilities for the benefits provided.

Proprietary funds distinguish operating revenues and expenses from nonoperating items as follows:

- Operating revenues generally result from providing services in connection with the proprietary fund's principal ongoing operations;
- Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets; and
- Nonoperating revenues and expenses consist of federal, state, and local assistance used to finance operations and expenses not related to the provision of water and sewer services.

It is the District's policy to apply restricted resources when an obligation is incurred for which both restricted and unrestricted net position are available for use.

D. Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. Nonexchange transactions are transactions in which the District receives value without directly giving equal value in return. Revenue from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include the following: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; (2) matching requirements, in which the District must provide local resources to be used for a specified purpose; and (3) expenditure requirements, in which resources are provided to the District on a reimbursement basis.

Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024
(Continued)

Note 1. Description of Entity and Summary of Significant Accounting Policies *(Continued)*

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within 3 months or less of the date acquired by the District.

F. Accounts Receivable

Management uses the direct write off method for accounts considered uncollectable. All accounts written off are separately tracked.

G. Prepaid Expenses

Prepaid expenses consist of normal operating expenses, such as insurance, for which payment is due in advance, and an expense is recognized when the benefit is received.

H. Inventories

Inventories consist of supplies held for consumption and are recorded as an expense at the time individual items are used. They are reported at the lower of cost or market, using a first in, first out basis.

I. Capital Assets

Capital assets, which include property, facilities, and equipment, are capitalized at historical cost, or estimated historical cost, provided such cost exceeds \$5,000 and the expected useful life of the asset is more than 1 year. Depreciation is recorded for all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets, which range from 2 to 50 years.

J. Debt

Long-term debt is reported at face value, net of any premium or discount on the bond issuance and net of bond issue costs. Bond premiums, discounts, and bond issuance costs are amortized as interest expense over the life of the bonds.

K. Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation leave. Upon termination of employment, individuals will receive the full amount of their accrued vacation.

L. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; general liability claims; and natural disasters. The District manages these risks through the purchase of insurance.

Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024
(Continued)

Note 1. Description of Entity and Summary of Significant Accounting Policies *(Continued)*

M. Net Position

Net position classifications are defined as follows:

- *Net investment in capital assets:* This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets;
- *Restricted:* This component consists of funds with external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, or laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation; and
- *Unrestricted net position:* This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

N. Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses. Actual results could differ from those estimates.

O. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (reduction of an expense) until that time.

P. Retirement Plan

The district contributes 5% to a deferred compensation plan for eligible employees.

Q. Contributions in Aid of Construction

These revenues were obtained from placement of meters at previously unsubscribed locations and from government grants.

Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024
(Continued)

Note 1. Description of Entity and Summary of Significant Accounting Policies *(Continued)*

R. Accounts Receivable

Customer accounts receivable arise from monthly water usage. Based on District policy, water meters are read monthly, with billings occurring five to ten days subsequent to the reading. Once billed the customer has fourteen days to pay the amount due. If payment is made after the due date a late fee of 10% is assessed to water charges. After a twenty-four-hour grace period, customers are given fourteen days before the meter is shut off. If not paid after an additional 7 days, the account will become inactive, and the customer deposit held will be applied to amounts owed. If collection is considered unlikely, the balances are charged off as bad debt expense in the period in which they were deemed uncollectible. Management's periodic evaluation of accounts receivable is based on past experience and other conditions that may affect the customer's ability to render payment.

Note 2. Deposits and Restricted Cash and Cash Equivalents

A. Deposits

The District maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by Kentucky Revised Statutes (KRS). The District had other deposits which were not covered by FDIC. Kentucky Revised Statute 66.480 provides for investment of governmental funds into certain investment types including, but not limited to, obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the District's deposits may not be returned. At December 31, 2024, the District held deposits in the amount of \$2,699,969 that were fully collateralized by FDIC insurance and securities pledged by financial institutions in the amount of \$3,417,369. However, other deposits in the amount of \$346,459 were unsecured and uncollateralized at December 31, 2024.

B. Restricted Cash and Cash Equivalents

Restricted cash consists of the following:

Bond and note, sinking fund	\$	496,317
Depreciation Reserve		1,153,207
Total restricted cash	\$	<u>1,649,524</u>

The bond and note accounts are restricted and held for use for payment of interest and principal on bonds. The depreciation reserve is for repairs and maintenance to the water and sewer system.

Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024
(Continued)

Note 3. Capital Assets

Capital assets consists of the following:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land rights	\$ 431,941	\$	\$ (18,750)	\$ 413,191
Construction in progress	8,993,980	3,196,591		12,190,571
Total capital assets not being depreciated	9,425,921	3,196,591	(18,750)	12,603,762
Other capital assets:				
Utility plant and lines	35,204,970	713,762		35,918,732
Utility equipment and other	1,189,317	90,011		1,279,328
Total other capital assets at historical cost	\$ 36,394,287	\$ 803,773	\$	\$ 37,198,060
Less: Accumulated depreciation	(17,961,680)	(960,235)		(18,921,915)
Capital assets, net	\$ 27,858,528	\$ 3,040,129	\$ (18,750)	\$ 30,879,907

Note 4. Retirement Plan

As of January 1, 2017, the District has provided a deferred compensation plan for eligible employees. The plan is administered by the Kentucky Public Employees' Deferred Compensation Authority in association with Nationwide Retirement Solutions. The two-tier plan provides a 5% District contribution regardless of employee participation beginning with an employee's second year of employment. District contributions to the plan were \$116,406 for 2024.

Note 5. Long-Term Debt

A. Changes in Long-term Debt

The following reflects the long-term debt activity for the year ended December 31, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable	\$ 6,518,500	\$	\$ 397,500	\$ 6,121,000	\$ 409,500
Unfinalized debt	7,969,265	2,973,878		10,943,143	
Total	\$ 14,487,765	\$ 2,973,878	\$ 397,500	\$ 17,064,143	\$ 409,500

Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024
(Continued)

Note 5. Long-Term Debt *(Continued)*

B. Bonds and Notes Payable

Bonds and notes payable consist of the following as of December 31, 2024:

USDA Rural Development Series 2012 A – Revenue Bonds, interest at 2.125% with a maturity date of January 1, 2052.	\$ 430,000
USDA Rural Development Series 2012 B – Revenue Bonds, interest at 2% with a maturity date of January 1, 2052.	724,500
USDA Rural Development Series 2018 Revenue Bonds, interest at 2.5% with a maturity date of January 1, 2057.	641,500
Kentucky Rural Water Finance Corporation Series 2020 A – Revenue Bonds, interest at 1.750% with a maturity date of January 1, 2060.	238,000
Kentucky Rural Water Finance Corporation Series 2020 B – Revenue Bonds, interest at 1.750% with a maturity date of January 1, 2060.	500,000
USDA Rural Development Series 2021 – Revenue Bonds, interest at 1.5% with a maturity date of January 1, 2062.	547,000
Kentucky Rural Water Finance Corporation Loan, interest ranging from 2.3% to 3.3% with a maturity date of February 1, 2027.	400,000
Kentucky Rural Water Finance Corporation Loan, interest ranging from 3.2% to 5.2% with a maturity date of July 1, 2039.	890,000
Kentucky Rural Water Finance Corporation Loan, interest ranging from 2.2% to 5.2% with a maturity date of July 1, 2034.	1,750,000
Total bonds and notes payable before premium	\$ 6,121,000
Unamortized Premium	308,254
Total bonds and notes payable	\$ 6,429,254
Less: Current maturities	409,500
Total long-term bonds and notes payable	\$ 6,019,754

Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024
(Continued)

Note 5. Long-Term Debt *(Continued)*

B. Bonds and Notes Payable *(Continued)*

Principal and interest are due as follows for bonds and notes payable:

<u>Year Ending December 31,</u>		<u>Interest</u>		<u>Principal</u>
2025	\$	177,386	\$	436,563
2026		161,620		437,563
2027		145,510		439,064
2028		130,657		324,564
2029		117,503		336,064
2030 – 2034		412,841		1,746,818
2035 – 2039		241,341		822,618
2040 – 2044		161,272		486,500
2045 – 2049		109,968		539,000
2050 – 2054		55,565		481,000
2055 – 2059		18,542		298,000
2060 – 2062		1,753		81,500
Total	\$	<u>1,733,958</u>	\$	<u>6,429,254</u>

C. Bond Collateralization and Event of Default Consequence

According to bond documents, the bonds shall be payable solely out of the gross revenues of the District. Upon the occurrence of an Event of Default, and upon the filing of a suit by any Owner of said bonds, any court having jurisdiction of the action may appoint a receiver to administer said District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses, for payment of principal of and interest on the prior bonds and current bonds, and apply the income and revenues in conformity with the Resolution and with the laws of the Commonwealth of Kentucky.

D. Unfinalized Debt

Unfinalized debt consists of the following as of December 31, 2024:

Kentucky Rural Water Financing, maturity date of August 1, 2025	\$	4,031,382
Kentucky Infrastructure Authority, interest at .25%		<u>6,911,761</u>
Total long-term bonds and notes payable	\$	<u>10,943,143</u>

Interest only is paid until the loans are finalized, which is expected to occur in 2025. Interest expected to be paid in 2025 is \$67,789.

Grayson County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024
(Continued)

Note 6. Related Parties

During 2024, the District paid Future Designs, Inc., owned by a board member, \$2,253 and owed them \$253 at year end. They also paid Woosley Welding, Inc., owned by the son of the District Manager, \$6,750. These transactions were consummated on terms equivalent to those that prevail in an arms-length transaction.

Note 7. Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through September 9, 2025, the date which the financial statements were available to be issued. Subsequent events past this date have not been evaluated by the District.

The Grayson County Water District has an agreement to take ownership of the Caneyville Water System when Caneyville completes their current Rural Development funded construction project. The District entered into an operating agreement with the City of Caneyville to run their water system in April of 2021. The District filed a formal intent to purchase at that time. Since the project is in process, the District cannot officially take ownership but the District did assume beneficial ownership during 2022. The project and the acquisition are expected to be completed by the end of 2025, with \$787,500 of debt expected to be assumed.

The Grayson County Water District has entered into an agreement to purchase territory from the Edmonson County Water District that is in Grayson County. The purchase price is approximately \$4,600,000 and will add an estimated 3,500 customers. A loan and a grant from KIA has been approved to complete the purchase. On August 1, 2025 the District entered into an operating agreement to manage this portion of Edmonson County Water District's system until the purchase can be finalized.

Jones & Associates CPAs, PSC

Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To Management and the Board of
Grayson County Water District
21 Shull White Road
Leitchfield, KY 42754

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*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Grayson County Water District, as of and for the year ended December 31, 2024, and related notes to the financial statements, which collectively comprise Grayson County Water District's basic financial statements and have issued our report thereon dated September 9, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grayson County Water District'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 Grayson County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grayson 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 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 Grayson 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 financial statements. However, providing an opinion on compliance

**To the Board of Commissioners of
Grayson County Water District
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*
(Continued)**

Report on Compliance and Other Matters (Continued)

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.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

September 9, 2025

Reports Required by the *Uniform Guidance*

Jones & Associates CPAs, PSC

Certified Public Accountants



121 Prosperous Place, Suite 2A, Lexington, KY 40509 (859) 687-0303

To Management and the Board of
Grayson County Water District
21 Shull White Road
Leitchfield, KY 42754

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Grayson County Water District'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 Grayson County Water District's major federal program for the year ended December 31, 2024. Grayson County Water District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Grayson County Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

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 Grayson County Water District 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 the major federal program. Our audit does not provide a legal determination of Grayson County Water District'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 Grayson County Water District's federal programs.

**To the Board of Commissioners of
Grayson County Water District
Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the *Uniform Guidance*
(Continued)**

Report on Compliance for Each Major Federal Program (Continued)

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 Grayson County Water District'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 Grayson County Water District's compliance with the requirements of the 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 Grayson County Water District'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 Grayson County Water District'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 Grayson County Water District'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.

**To the Board of Commissioners of
Grayson County Water District
Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the *Uniform Guidance*
(Continued)**

Report on Internal Control over Compliance (Continued)

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.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

September 9, 2025

**Grayson County Water District
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024**

Summary of Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Grayson County Water District.
2. No significant deficiencies are reported in the 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*.
3. No material weaknesses are reported in the 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*.
4. No instances of noncompliance material to the financial statements of Grayson County Water District were disclosed during the audit.
5. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*.
6. The auditor's report on compliance for the major federal award program for Grayson County Water District expresses an unmodified opinion on the major program.
7. There are no audit findings required to be reported in accordance with the Uniform Guidance.
8. The following was tested as a major program: Coronavirus State and Local Fiscal Recovery Funds (21.027).
9. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
10. Grayson County Water District does not qualify as a low-risk auditee.

Findings – Financial Statement

There were no financial statement findings.

Findings and Questioned Costs – Major Federal Award Program

There were no federal award findings and questioned costs.

Summary Schedule of Prior Audit Findings

There were no prior year audit findings related to major programs.

**Grayson County Water District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assist- ance Listing Number	Pass-Through Grantors Number	Passed Through to Subrecipients	Federal Award Expenditures	Federal Program and/or Cluster Total
<u>U.S. Department of the Treasury</u>					
Passed through Department for Local Government Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWW240	\$	\$ 276,036	
Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW316			
Total U.S. Department of Treasury				<u>758,405</u>	<u>\$ 1,034,441 *</u>
Total Federal Awards			<u>\$</u>		<u>\$ 1,034,441</u>

* Major program

See the accompanying Notes to the Schedule of Expenditures of Federal Awards.

Grayson County Water District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Grayson County Water District and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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). Therefore, some amounts presented on this Schedule may differ from amounts presented or used in the preparation of the financial statements.

Note 2. 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.

Note 3. Subrecipients

There were no awards passed through to subrecipients for the year ended December 31, 2024.

Note 4. Indirect Cost Rate

Grayson County Water District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5. Other

There were no Federal awards expended for loan or loan guarantee programs or for other noncash awards.