

NEBO WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

NEBO WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Nebo Water District
Nebo, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Nebo Water District, a component unit of the Hopkins County Fiscal Court, Kentucky, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Nebo 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 financial position of the Nebo Water District of the Hopkins County Fiscal Court, Kentucky, as of December 31, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nebo 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nebo 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 on 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 Nebo 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 the Nebo 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 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 a appropriate operations, economic, or historical context. Our opinion of the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nebo Water District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 October 24, 2025, on our consideration of the Nebo 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nebo 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 the Nebo Water District's internal control over financial reporting and compliance.

Alford, Nance & Jones, LLP

Alford, Nance & Jones, LLP
October 24, 2025

**Nebo Water District
Statement of Net Position
December 31, 2024**

ASSETS

<u>Assets</u>	<u>2024</u>
Cash equivalents	\$ 361,716
Customer accounts receivable (less allowance for uncollectible accounts of \$993)	34,460
Unbilled revenue	68,654
Prepayments	5,906
Inventory	58,436
Restricted assets:	
Customer deposit payment account	42,423
Sinking Funds	77,714
Depreciation Fund	63,770
Debt Service Fund	109,492
CD - Depreciation Fund	174,846
CD - Sinking Fund	114,301
Capital assets, net of depreciation	<u>2,497,782</u>
Total Assets	<u>3,609,500</u>

LIABILITIES

<u>Liabilities</u>	
Trade accounts payable	29,911
Accrued liabilities	9,681
Construction payable	178,100
Retainage payable	42,445
Accrued compensated absences	29,478
Customers' deposits	41,025
Noncurrent liabilities:	
Long-term debt due after one year	<u>1,326,798</u>
Total Liabilities	<u>1,657,438</u>

NET POSITION

<u>Net Position</u>	
Net investment in capital assets	950,439
Restricted for:	
Debt Service, Customer Deposits, Equipment Upgrades, Other	540,123
Unrestricted	<u>461,500</u>
Total Net Position	<u>\$ 1,952,062</u>

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

	<u>2024</u>
<u>Operating Revenue</u>	
Water revenues	\$ 1,190,417
Total Operating Revenues	<u>1,190,417</u>
<u>Operating Expenses</u>	
Source of supply purchases	504,918
Salaries and wages	272,666
Administrative and general expenses	173,179
Depreciation	74,715
Pumping expenses	69,507
Payroll and other taxes	22,715
Materials and Supplies	<u>6,559</u>
Total Operating Expenses	<u>1,124,259</u>
<u>Operating Income (Loss)</u>	<u>66,158</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	21,809
Interest on debt	(1,178)
Debt amortization	<u>(1,718)</u>
Total Nonoperating Revenue (Expenses)	<u>18,913</u>
<u>Net Income Before Capital Contributions</u>	85,071
<u>Capital Contributions and Grants</u>	<u>89,872</u>
<u>Change in Net Position</u>	174,943
<u>Net Position-Beginning of Year</u>	<u>1,777,119</u>
<u>Net Position-End of Year</u>	<u>\$ 1,952,062</u>

See accompanying notes to financial statements.

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

	<u>2024</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,163,597
Cash payments to suppliers for goods and services	(528,679)
Cash payments to employees for services	(292,561)
Net Cash Provided (Used) By Operating Activities	<u>342,357</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Principal paid on capital debt	(50,562)
Contributed capital	17,955
Acquisition of property, plant, and equipment	(1,344,237)
Grants received	71,917
Proceeds from capital debt	1,326,798
Interest paid on debt	(1,178)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>20,693</u>
<u>Cash Flows From Investing Activities</u>	
Income received on investments	<u>21,809</u>
Net Cash Provided (Used) By Investing Activities	<u>21,809</u>
<u>Net Increase (Decrease) in Cash Equivalents</u>	384,859
<u>Cash Equivalents-Beginning of Year</u>	<u>559,403</u>
<u>Cash Equivalents-End of Year</u>	<u>\$ 944,262</u>
<u>Reconciliation of Operating Income to Net Cash Provided</u>	
<u>By Operating Activities</u>	
Operating Income (Loss)	\$ 66,158
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	74,715
Change in assets and liabilities	
Decrease (increase) in accounts receivable	(26,820)
Decrease (increase) in inventory	(868)
Decrease (increase) in prepayments	(26)
Increase (decrease) in accounts payable	221,428
Increase (decrease) in customer deposits	4,950
Increase (decrease) in accrued liabilities	2,820
Net Cash Provided (Used) By Operating Activities	<u>\$ 342,357</u>
<u>Reconciliation of Total Cash</u>	
Current Assets - Cash	\$ 361,716
Restricted Assets - Cash	582,546
Total Cash	<u>\$ 944,262</u>

Non-cash Investing, Capital and Related Financing Activities - None

See accompanying notes to financial statements.

Nebo Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nebo Water District, (the District), was established under the provisions of Chapter 74 of the Kentucky Revised Statutes in July 1962. The Hopkins County Judge Executive appoints a three member commission that oversees the District's water system which renders services based on user charges.

The accounting and reporting policies of the Commission relating to the fund included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The District follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the District are described below.

Reporting Entity

The District, for financial purposes, includes all of the accounts relevant to the operations of the Nebo Water District owned water system in accordance with generally accepted accounting principles. The District has adhered to the standards set forth in Statement No. 14, as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the District.

Basis of Presentation

The accounts of the District are organized in accordance with the uniform system of accounts adopted by the Public Service Commission of Kentucky. Those accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses. The following funds are used by the District:

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets, deferred outflows, liabilities, and deferred inflows are included on the Statement of Net Position.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting and financial statements for a proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting,

Nebo Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024

revenues are recognized when earned and can be determined with reasonable accuracy, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Operating Revenues/Expenses

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations and consist primarily of charges to customers or agencies, cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets

The District adopted a fixed budget for the fiscal year ended December 31, 2024. Flexible budgets prepared for several levels of possible activity are better for proprietary fund planning, control, and evaluation purposes than fixed budgets. For this reason, actual comparison of the fixed operating budget adopted by the District and the actual operating revenues and expenses are not shown in these financial statements.

The District is required to follow budgetary guidelines established by the Public Service Commission and the Department of Rural Development. Those guidelines require:

- 1) The District to submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2024, the District has complied with budgetary guidelines.

Cash Equivalents/Investments

Cash equivalents used for operations are deposited with First United Bank. Cash equivalents used for debt service are deposited with Regions Bank. District ordinances authorize the District to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, repurchase agreements, and demand deposits. All investments must be purchased through brokers/dealers or deposited with local financial institutions.

For the purpose of the statement of cash flows, the District considers cash equivalents to be all cash in banks and certificates of deposit with stated maturities of three months or less or available for withdrawal by management.

Compensated Absences

The District recognizes a liability for unpaid compensated absences arising from unpaid sick time in accordance with Governmental Accounting Standards Board (GASB) Statement 101. GASB Statement 101 requires employers to accrue a liability for future vacation, sick, and other leave benefits that meet the following conditions:

Nebo Water District
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- 1) The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) The compensation is more likely than not to be used for time off or otherwise paid.

Employees will receive one week of vacation after their first year of employment. After their second year of employment, they will receive 2 weeks of vacation. After their third year of employment, they will receive 2 weeks plus one day for every year thereafter until they reach a maximum of four weeks per year. Vacation leave may not be carried forward from one year to the next. Employees will receive 1 sick day per month after their initial 90 day grace period of employment. They may save these, but at retirement, they can only be paid a maximum of 36 days. They are not to be paid if an employee quits or is terminated. Sick days can be paid out upon retirement if the employee is of retirement age.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2024 are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant and equipment, are stated at historical cost. Donated capital assets are stated at their fair market value on the date donated. Proprietary fund capital assets are recorded in the respective funds and depreciated using the straight line method. Repairs and maintenance are recorded as expenses. Estimated useful lives, in years, for depreciable assets are as follows:

Utility System	20 to 65 years
Furniture, Machinery and Equipment	5 to 10 years
Improvements	5 to 10 years
Vehicles	3 to 5 years

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts has been provided based on prior years' loss experiences as a percentage of revenues billed. Based on past experience, management considers the allowance of \$993 adequate to provide for any losses on collection of the accounts receivable.

Inventory

Inventories are stated at cost using the first-in first-out (FIFO) method. Inventory consists primarily of replacement parts and supplies.

Restricted Assets

The restricted assets have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. See Note 3 for information describing restricted net position.

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Notes to the Financial Statements
For the Year Ended December 31, 2024

Estimates

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2024, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

Bond Premiums

Bond premiums on long-term debt are capitalized and amortized to interest expense over the terms of the respective bonds using a method that approximates the effective interest method. Issuance costs are reported as expenses.

Net Position

Net position represents the difference between the total of assets and deferred outflows and the total of liabilities and deferred inflows. Net position is classified into three categories: 1) Net position invested in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds. 2) Restricted net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 3) Unrestricted net position represents amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Reclassifications

Certain 2023 balances have been reclassified to conform to the 2024 presentation.

Adoption of New Accounting Pronouncements

As of December 31, 2024, the GASB has issued the following statements required to be adopted by the District.

GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, was issued in June 2022 and is effective for fiscal years beginning after June 15, 2023. This Statement's objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistence, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, Compensated Absences

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022 and is effective for fiscal years beginning after December 15, 2023. This statement's objective is to better meet the

Nebo Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024

information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

Recent Accounting Pronouncements

As of December 31, 2024, the GASB has issued the following statements not yet required to be adopted by the Water District.

GASB Statement No. 102, Certain Risk Disclosures

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in December 2023, and is effective for fiscal years beginning after June 15, 2024. This statement's objective is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The City's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 103, Financial Reporting Model Improvements

GASB Statement No 103, *Financial Reporting Model Improvements*, was issued in April 2024, and is effective for fiscal years beginning after June 15, 2025. This statement's objective is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The City's management has not yet determined the effect this statement will have on the financial statements.

Subsequent Events

The District has evaluated subsequent events through October 24, 2025, the date which the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

1. Statement of Net Position Cash Presentation

The captions on the statement of net position for cash, investments and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	Deposits	Total
Cash equivalents	\$ 361,716	\$ 361,716
Restricted assets:		
Cash equivalents	293,399	293,399
Investments	289,147	289,147
Total	<u>\$ 944,262</u>	<u>\$ 944,262</u>

2. Deposits

At year-end, the carrying amount of the District's deposits held by First United Bank were \$545,573 and the bank balances were \$561,090. Cash on hand consisted of \$50. Of the bank balances, \$250,000 was covered by federal depository insurance, with \$311,090 covered by collateral held by the pledging financial institution's agent or trust department in the District's name.

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

Sacramento Deposit Bank

At year-end, the carrying amount of the District's deposits held by Sacramento Deposit Bank were \$114,301. Of the bank balances, \$114,301 was covered by federal depository insurance.

Planters Bank

At year-end, the carrying amount of the District's deposits held by Planters Bank were \$174,846. Of the bank balances, \$174,846 was covered by federal depository insurance.

Regions Bank

At year-end, the carrying amount of the District's deposits held by Regions Bank were \$109,492. Of the bank balances, \$109,492 was covered by federal depository insurance.

3. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not place any limit on the amount that may be invested with one issuer. At December 31, 2024, the District had 100% of its investments in fully collateralized certificates of deposit.

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Level 2 fixed income securities are priced by industry standard vendors, such as ICE Data Services (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. At December 31, 2024, the District had 100% of its investments in fully collateralized certificates of deposit, which is valued under Level 1.

Nebo Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024

Identification

At December 31, 2024, the District had the following investments:

Investment	Maturities	Fair Value Using Level 1
Certificates of Deposit:		
Planters Bank	9/10/2026	\$ 174,846
Sacramento Bank	6/30/2025	114,301
Total Investments		<u>\$ 289,147</u>

3. NET POSITION

Net Investment in Capital Assets

A portion of the net position consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction or improvement of the assets.

Net Investment in Capital Assets

Capital Assets, Net of Depreciation	\$ 2,497,782
Less: Rural Utilities Service Loan	(1,326,798)
Construction Payable	(178,100)
Retainage Payable	<u>(42,445)</u>
Total	<u>\$ 950,439</u>

Net Position Restricted for Debt Retirement and Customer Deposits

A portion of the net position is reserved for debt retirement and customer deposits. The reserved portion is calculated as follows:

	Depreciation Fund	Sinking Fund	Debt Service Fund	Other Restricted	Total
Cash equivalents	\$ 63,770	\$ 77,714	\$ 109,492	\$ 41,025	\$ 292,001
Investments:					
Certificates of deposit	174,846	114,301	-	-	289,147
Totals	<u>\$ 238,616</u>	<u>\$ 192,015</u>	<u>\$ 109,492</u>	<u>\$ 41,025</u>	<u>\$ 581,148</u>

Other Restricted - Restricted for customer deposits and other government assessments

Debt Requirement Restricted Assets

Depreciation Fund	\$ 238,616
Payment and Escrow Funds	192,015
Debt Service Fund	109,492
Customer Deposit Cash, Equipment Upgrades, and Assessments	<u>41,025</u>
Total	<u>\$ 581,148</u>

Current Portion of Debt Interest and Customer Deposits

Customer Deposits	\$ (41,025)
Total	<u>(41,025)</u>

Net Position Restricted for Debt Interest and Customer Meter Deposits \$ 540,123

Customer Deposits

Customer deposits for utility services are segregated and invested on a short-term basis. At

Nebo Water District
Notes to the Financial Statements
For the Year Ended December 31, 2024

December 31, 2024, customer deposits of \$42,423 (including \$1,398 inactive deposits) were deposited in an interest bearing account in First United Bank for the purpose of refunding customer deposits.

4. CAPITAL ASSETS

A summary of proprietary fund property, plant and equipment at December 31, 2024 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 47,470	\$ -	\$ -	\$ 47,470
Construction in progress	117,500	1,273,515	-	1,391,015
Total capital assets, not being depreciated	164,970	1,273,515	-	1,438,485
Capital assets, being depreciated:				
Buildings	89,751	-	-	89,751
Equipment	495,357	69,948	-	565,305
Tanks, lines, meters, and hydrants	4,103,502	774	-	4,104,276
Total capital assets, being depreciated	4,688,610	70,722	-	4,759,332
Less accumulated depreciation for:				
Buildings	(71,179)	(2,198)	-	(73,377)
Equipment	(473,100)	(12,846)	-	(485,946)
Tanks, lines, meters, and hydrants	(3,081,041)	(59,671)	-	(3,140,712)
Total accumulated depreciation	(3,625,320)	(74,715)	-	(3,700,035)
Total capital assets, being depreciated, net	1,063,290	(3,993)	-	1,059,297
Business-type activities capital assets, net	\$ 1,228,260	\$ 1,269,522	\$ -	\$ 2,497,782

5. EMPLOYEES' RETIREMENT PLAN

The District has a SIMPLE IRA plan. The Company must make a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions. However, the matching contributions may not exceed 3% of an employee's salary. Employer matching contributions were \$6,364 for the year ended December 31, 2024.

6. DEBT OBLIGATIONS

Rural Utilities Service Obligations

In 2022, the Water District was awarded a \$1,542,000 Capitalization Grant Loan from the Rural Utilities Services to finance water line upgrades. The repayment terms will require annual payments of interest at 5.15% of the outstanding balance. Draws on this loan of \$1,326,798 were made as of December 31, 2024. Interest paid during the year ended December 31, 2024 was \$47,722. This project has not yet been finalized.

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

7. COMMITMENTS

Purchase Contracts

Madisonville Municipal Utilities and Webster County Water District

The District purchases all of its water for resale from either Madisonville Municipal Utilities of Madisonville, Kentucky or Webster County Water District of Dixon, Kentucky.

The purchases from Madisonville Municipal Utilities for the year ended December 31, 2024 were \$502,497. Amounts payable to Madisonville Municipal Utilities at year-end for 2024 were \$24,692.

The purchases from Webster County Water District for the year ended December 31, 2024 were \$2,421. Amounts payable to Webster County Water District at year-end for 2024 were \$162.

8. PUBLIC SERVICE COMMISSION REGULATIONS

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. Further, the PSC requires that all customer deposit refunds be paid with interest. This District has fulfilled this requirement.

9. LITIGATION

The District is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

Nebo Water District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Total Federal Expenditures</u>
U. S. Department of Agriculture Rural Utilities Service Loan		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,326,798
Total Expenditures of Federal Awards		<u>\$ 1,326,798</u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Nebo Water District under programs of the federal government for the year ended December 31, 2024. 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). Because the Schedule presents only a selected portion of the operations of Nebo Water District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Nebo Water District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The Nebo Water District has elected not to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – USDA LOAN PROGRAM

Nebo Water District was awarded a \$1,542,000 Capitalization Grant Loan to be administered on behalf of the Rural Utilities Services (RUS) by the State and Area staff of USDA Rural Development (RD). The loan balance was zero at the beginning of the year. Nebo Water District received draws on this loan during the year and the expenditures and loan balance at December 31, 2024 was \$1,326,798.

CERTIFIED PUBLIC ACCOUNTANTS

108 South Main Street, Suite 101, Madisonville, KY 42431

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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
Nebo Water District
Nebo, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Nebo Water District, a component unit of the Hopkins County Fiscal Court, Kentucky, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Nebo Water District's basic financial statements, and have issued our report thereon dated October 24, 2025.

Report on Internal Control over Financial Reporting:

In planning and performing our audit of the financial statements, we considered Nebo 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nebo Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nebo 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

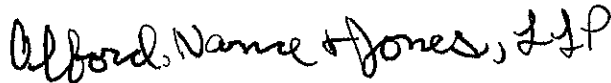
As part of obtaining reasonable assurance about whether the Nebo Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance 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*.

Nebo Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Nebo Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Nebo Water District's was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Alford, Nance & Jones, LLP
October 24, 2025

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Nebo Water District
Nebo, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Nebo 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 each of Nebo Water District's major federal programs for the year ended December 31, 2024. Nebo Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nebo 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 each of its major federal programs 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 Nebo 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 each major federal program. Our audit does not provide a legal determination of Nebo 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 Nebo Water District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Nebo 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 judgement made by a reasonable user of the report on compliance about Nebo Water District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Nebo 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 Nebo 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 Nebo 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.

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.

Alford, Nance & Jones, LLP

Alford, Nance & Jones, LLP
Madisonville, Kentucky
October 24, 2025

**NEBO WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Nebo Water District were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. One material weaknesses is reported.
3. No instances of noncompliance material to the financial statements of Nebo Water District were disclosed during the audit.
4. There were no significant deficiencies in internal control disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Nebo Water District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as major programs included:

Water and Waste Disposal Systems for Rural Communities 10.760
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Nebo Water District was determined to not be a low risk auditee.

B. Findings-Financial Statements Audit

2024 – 001 Material Weakness:

Segregation of Duties

Condition: The small size of the District's bookkeeping staff limits segregation of duties.

Criteria: The District does not have adequate segregation of duties.

Cause: Limited number of personnel.

Effect: The District only has two office employees who handle receipts, disbursements, utility billing and adjustment, bookkeeping, tax reporting, and financial reporting. Theft could occur or a misstatement made and may not be detected by management in a timely manner.

View of Responsible Officials and Planned Corrective Actions: The District does not feel it is economically feasible to hire additional office staff. Office staff will review each other's work and try to segregate duties as much as reasonable possible.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None Reported

D. Schedule of Prior Audit Findings

Relative to Financial Statements
2023 – 001 Material Weakness:

Segregation of Duties

Condition: The small size of the District's bookkeeping staff limits segregation of duties.

Criteria: The District does not have adequate segregation of duties.

Cause: Limited number of personnel.

Effect: The District only has two office employees who handle receipts, disbursements, utility billing and adjustment, bookkeeping, tax reporting, and financial reporting. Theft could occur or a misstatement made and may not be detected by management in a timely manner.

View of Responsible Officials and Planned Corrective Actions: The District does not feel it is economically feasible to hire additional office staff. Office staff will review each other's work and try to segregate duties as much as reasonable possible.

FYE 12/31/24: This finding still exists in current year.