

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Contents**  
**December 31, 2024 and 2023**

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## INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners  
North McLean County Water District

### Opinion

We have audited the accompanying financial statements of the North McLean County Water District, a component unit of the McLean County Fiscal Court, Kentucky, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise North McLean 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 financial position of the North McLean County Water District, as of December 31, 2024 and 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 North McLean County Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

### 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 auditors' 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 of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North McLean 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 the North McLean 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 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 are not affected by this missing information.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2025 on our consideration of North McLean 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 the North McLean 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 North McLean County Water District's internal control over financial reporting and compliance.



Owensboro, Kentucky  
April 24, 2025

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
Cash in bank	\$ 398,967	\$ 389,980
Investments	255,883	244,759
Accounts receivable	80,962	73,912
Inventory	54,621	55,933
Prepaid expenses	<u>8,306</u>	<u>14,737</u>
<b>TOTAL CURRENT ASSETS</b>	<u>798,739</u>	<u>779,321</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash - customer deposits	58,157	57,102
Capital assets:		
Land	20,336	20,336
Construction in progress	1,991	41
Utility plant, net	2,559,597	2,596,210
Other assets:		
Operating right-of-use lease asset, net	10,813	14,057
Refundable electric contract	<u>1,366</u>	<u>1,707</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,652,260</u>	<u>2,689,453</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,450,999</u></u>	<u><u>\$ 3,468,774</u></u>
<b>Liabilities and Net Assets</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 48,367	\$ 57,140
Taxes payable	3,311	4,553
Current portion of lease liability	3,054	2,642
Current portion of long-term debt	<u>-</u>	<u>5,321</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>54,732</u>	<u>69,656</u>
<b>NONCURRENT LIABILITIES</b>		
Lease liability, net of current portion	8,953	12,007
Customer deposits payable from restricted cash	<u>52,825</u>	<u>52,120</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>61,778</u>	<u>64,127</u>
<b>TOTAL LIABILITIES</b>	<u>116,510</u>	<u>133,783</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,581,924	2,616,587
Unrestricted	<u>752,565</u>	<u>718,404</u>
<b>TOTAL NET POSITION</b>	<u>3,334,489</u>	<u>3,334,991</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 3,450,999</u></u>	<u><u>\$ 3,468,774</u></u>

See accompanying notes.

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 1,047,597	\$ 1,000,720
Penalties and miscellaneous	<u>22,037</u>	<u>46,286</u>
<b>TOTAL OPERATING REVENUES</b>	<u>1,069,634</u>	<u>1,047,006</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	282,075	267,872
Employee benefits	20,792	11,700
Depreciation	85,836	83,845
Purchased water	510,460	481,258
Purchased power	13,424	10,941
Materials and supplies	35,441	35,826
Office expenses	49,224	37,580
Contractual services	27,686	33,838
Transportation	17,562	14,933
Insurance	15,689	14,131
Miscellaneous	8,412	7,597
Payroll taxes	23,020	20,904
Bad debt	<u>3,033</u>	<u>1,162</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,092,654</u>	<u>1,021,587</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(23,020)</u>	<u>25,419</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	14,347	7,848
Interest expense	<u>(2,779)</u>	<u>(2,592)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>11,568</u>	<u>5,256</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>(11,452)</u>	<u>30,675</u>
<b>CONTRIBUTED CAPITAL</b>	<u>10,950</u>	<u>9,089</u>
<b>CHANGE IN NET POSITION</b>	<u>(502)</u>	<u>39,764</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>3,334,991</u>	<u>3,295,227</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 3,334,489</u></u>	<u><u>\$ 3,334,991</u></u>

See accompanying notes.

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 1,060,256	\$ 1,065,685
Cash payments for goods and services	(702,247)	(675,980)
Cash payments to employees for services	<u>(302,867)</u>	<u>(279,572)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>55,142</u>	<u>110,133</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(51,173)	(72,651)
Principal paid on loan	(5,321)	(10,419)
Interest paid	(2,779)	(2,592)
Capital contributions	<u>10,950</u>	<u>9,089</u>
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(48,323)</u>	<u>(76,573)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in investments - net	(11,124)	(55,161)
Interest on investments	<u>14,347</u>	<u>8,279</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>3,223</u>	<u>(46,882)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	10,042	(13,322)
<b>CASH AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>447,082</u>	<u>460,404</u>
<b>CASH AND RESTRICTED CASH AT END OF YEAR</b>	<u><u>\$ 457,124</u></u>	<u><u>\$ 447,082</u></u>

See accompanying notes.

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income (loss) from operations	<u>\$ (23,020)</u>	<u>\$ 25,419</u>
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	85,836	83,845
Lease amortization	3,244	2,163
(Increase) decrease in:		
Accounts receivable	(7,050)	17,806
Inventory	1,312	(15,993)
Prepaid expenses	6,431	(7,915)
Refundable electric contract	341	341
Increase (decrease) in:		
Accounts payable	(8,773)	4,666
Taxes payable	(1,242)	(663)
Customer deposits	705	2,035
Operating lease liability	<u>(2,642)</u>	<u>(1,571)</u>
Total adjustments	<u>78,162</u>	<u>84,714</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 55,142</u></u>	<u><u>\$ 110,133</u></u>

See accompanying notes.



**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

North McLean County Water District (District) is a Kentucky water district organized in 1971. McLean County Fiscal Court appoints the Board of Commissioners that manages the District. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Reporting Entity

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

Proprietary Fund Accounting

The activities of the District are similar to those found in the private sector. Proprietary fund financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Inventory

Inventory consists of materials and supplies, and is stated at lower of cost (determined on the first-in, first-out basis) or net realizable value.

Capital Assets

Capital assets purchased or constructed are reported at cost. Contributed assets are reported at acquisition value as of the date received. The District capitalizes assets over \$1,000 when the useful life is greater than one year. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized. Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$85,836 and \$83,845 for the years 2024 and 2023, respectively. Estimated useful lives of major class of the water plant in service are as follows:

Pumping, distribution equipment, and meters	20-40 years
Transmission and distribution system	60-80 years
Tanks	40-60 years
Vehicles and other equipment	5-15 years

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash Flows Information

For the purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Management Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Accounts Receivable

The District has not provided for an allowance for bad debts. It is management's opinion based on prior history that any uncollectible accounts would have no significant effect on the financial statements. Uncollectible accounts are written off annually and are recorded to bad debt expense. Bad debt expense was \$3,033 and \$1,162 for 2024 and 2023, respectively.

Regulation

The District's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the Commonwealth of Kentucky, Public Service Commission. The District's accounting policies recognize the financial effects of the rate making and accounting practices and policies of the Public Service Commission.

Adoption of New Accounting Standard

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The District implemented this new standard on January 1, 2024 and it did not have an impact on the financial statements.

**NOTE B – CASH DEPOSITS AND INVESTMENTS**

Cash Deposits

As of December 31, 2024 and 2023, cash deposits consisted of the following:

	2024	2023
Cash in bank	\$ 398,967	\$ 389,980
Restricted cash - customer deposits	58,157	57,102
	<u>\$ 457,124</u>	<u>\$ 447,082</u>

Investments

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United State government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds.

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE B – CASH DEPOSITS AND INVESTMENTS (continued)**

As of December 31, 2024 and 2023, the District's investments consisted of certificate of deposits in the amount of \$255,883 and \$244,759, respectively. The certificates have maturities of greater than 90 days at various interest rates.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's cash deposits or investments may not be returned to it. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2024 and 2023, all deposits including the certificate of deposits held as investments were covered by FDIC insurance or a properly executed collateral security agreement. At December 31, 2024 and 2023, all investments held by the District were insured or collateralized with securities held by the District or by its agent in the District's name.

The District's cash deposits and investments were insured and collateralized as follows:

	2024	2023
Bank balances	\$ 734,311	\$ 703,024
FDIC coverage	(436,296)	(428,020)
Collateralized by securities	(298,015)	(275,004)
	<u>          </u>	<u>          </u>
Credit risk	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy only allows investment choices that are in compliance with the state statutes.

**NOTE C – AMOUNTS DUE TO MCLEAN COUNTY**

The District bills and performs collections for charges on behalf of McLean County. These billings and collections were included in the District's accounts receivable and payables as follows:

	2024	2023
Accounts receivable - District	\$ 76,412	\$ 68,434
Accounts receivable - County	4,550	5,478
	<u>          </u>	<u>          </u>
Total accounts receivable	<u>\$ 80,962</u>	<u>\$ 73,912</u>
Accounts payable - District	\$ 39,775	\$ 50,209
Accounts payable - County	8,592	6,931
	<u>          </u>	<u>          </u>
Total accounts payable	<u>\$ 48,367</u>	<u>\$ 57,140</u>

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2024 and 2023 was as follows:

	Balance Dec. 31, 2023	Additions	Deletions	Balance Dec. 31, 2024
Capital assets not depreciated:				
Land	\$ 20,336	\$ -	\$ -	\$ 20,336
Construction in progress	41	1,950	-	1,991
Total capital assets not depreciated:	<u>20,377</u>	<u>1,950</u>	<u>-</u>	<u>22,327</u>
Utility plant depreciated:				
Buildings and improvements	449,982	-	-	449,982
Equipment	254,878	19,928	(6,673)	268,133
Water distribution system	3,500,765	29,295	-	3,530,060
Vehicles	69,478	-	-	69,478
Total utility plant depreciated	<u>4,275,103</u>	<u>49,223</u>	<u>(6,673)</u>	<u>4,317,653</u>
Less accumulated depreciation:				
Buildings and improvements	106,258	12,023	-	118,281
Equipment	132,984	12,798	(6,673)	139,109
Water distribution system	1,382,774	58,162	-	1,440,936
Vehicles	56,877	2,853	-	59,730
Total accumulated depreciation	<u>1,678,893</u>	<u>85,836</u>	<u>(6,673)</u>	<u>1,758,056</u>
Total utility plant depreciated, net	<u>2,596,210</u>	<u>(36,613)</u>	<u>-</u>	<u>2,559,597</u>
Total capital assets, net	<u>\$ 2,616,587</u>	<u>\$ (34,663)</u>	<u>\$ -</u>	<u>\$ 2,581,924</u>
	Balance Dec. 31, 2022	Additions	Deletions	Balance Dec. 31, 2023
Capital assets not depreciated:				
Land	\$ 20,336	\$ -	\$ -	\$ 20,336
Construction in progress	-	41	-	41
Total capital assets not depreciated:	<u>20,336</u>	<u>41</u>	<u>-</u>	<u>20,377</u>
Utility plant depreciated:				
Buildings and improvements	449,982	-	-	449,982
Equipment	196,903	57,975	-	254,878
Water distribution system	3,486,129	14,636	-	3,500,765
Vehicles	69,478	-	-	69,478
Total utility plant depreciated	<u>4,202,492</u>	<u>72,611</u>	<u>-</u>	<u>4,275,103</u>
Less accumulated depreciation:				
Buildings and improvements	94,230	12,028	-	106,258
Equipment	122,501	10,483	-	132,984
Water distribution system	1,324,292	58,482	-	1,382,774
Vehicles	54,024	2,853	-	56,877
Total accumulated depreciation	<u>1,595,047</u>	<u>83,846</u>	<u>-</u>	<u>1,678,893</u>
Total utility plant depreciated, net	<u>2,607,445</u>	<u>(11,235)</u>	<u>-</u>	<u>2,596,210</u>
Total capital assets, net	<u>\$ 2,627,781</u>	<u>\$ (11,194)</u>	<u>\$ -</u>	<u>\$ 2,616,587</u>

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE E – LINE OF CREDIT**

At December 31, 2024, the District had a line of credit for \$175,000. The line bears an interest rate of 7.5% at December 31, 2024 and matures March 16, 2025. The line is collateralized by certificates of deposit. The unused portion was \$175,000 as of December 31, 2024.

At December 31, 2023, the District had a line of credit for \$175,000. The line bears an interest rate of 6% at December 31, 2023 and matures March 16, 2024. The line is collateralized by certificates of deposit. The unused portion was \$175,000 as of December 31, 2023.

**NOTE F – LONG-TERM DEBT**

Long-term debt as of December 31, 2024 and 2023 consisted of the following:

	2024	2023
Note payable from Independence Bank due in 4 payments of \$5,413, including interest of 3.1% maturing March 6, 2024. The note is collateralized by the District's inventory, accounts receivable, and revenue.	\$ -	\$ 5,321
	-	5,321
Less: Current portion	-	(5,321)
Long-term debt	\$ -	\$ -

Interest expense related to long-term debt was \$85 and \$407 for the years ending December 31, 2024 and 2023, respectively.

**NOTE G – OFFICE LEASE**

The District had the following office lease as of December 31, 2024 and 2023:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance December 31, 2024	Balance December 31, 2023
Office Space	5/1/2023	5 years	\$ 19,895	8%	\$ 16,220	\$ 12,007	\$ 14,649

Office space was leased beginning in May 1, 2023 for a term of five years at a fixed interest rate of 8%. This lease does not have a renewal options.

The total amount of lease assets and the related accumulated amortization are as follows:

	2024	2023
Operating right-of-use asset	\$ 16,220	\$ 16,220
Less: accumulated amortization	(5,407)	(2,163)
Carrying value	\$ 10,813	\$ 14,057

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE G – LEASES (continued)**

The following schedule details minimum lease payments to maturity for the District's lease payable at December 31, 2024:

Year Ending December 31	Principal	Interest
2025	\$ 3,054	\$ 852
2026	3,511	591
2027	4,016	292
2028	1,426	34
	<u>\$ 12,007</u>	<u>\$ 1,769</u>

**NOTE H – LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended December 31, 2024 and 2023:

	Balance Dec. 31, 2023	Additions	Subtractions	Balance Dec. 31, 2024	Amount Due within One Year
Long-Term Liabilities:					
Note Payable - Independence Bank	\$ 5,321	\$ -	\$ (5,321)	\$ -	\$ -
Lease liability	14,649	-	(2,642)	12,007	3,054
Total Long-Term Liabilities	<u>\$ 19,970</u>	<u>\$ -</u>	<u>\$ (7,963)</u>	<u>\$ 12,007</u>	<u>\$ 3,054</u>

  

	Balance Dec. 31, 2022	Additions	Subtractions	Balance Dec. 31, 2023	Amount Due within One Year
Long-Term Liabilities:					
Note Payable - Independence Bank	\$ 15,740	\$ -	\$ (10,419)	\$ 5,321	\$ 5,321
Lease liability	-	16,220	(1,571)	14,649	2,642
Total Long-Term Liabilities	<u>\$ 15,740</u>	<u>\$ 16,220</u>	<u>\$ (11,990)</u>	<u>\$ 19,970</u>	<u>\$ 7,963</u>

**NOTE I – CONTRIBUTED CAPITAL**

With approval of the District, customers have in some cases constructed their own water lines and donated them to the District for future maintenance, control, etc. These assets have been recorded on the District's books and are being depreciated under the same policy as utility plant. Contributed capital revenue was \$10,950 for 2024 and \$9,089 for 2023, respectively.

**NOTE J – INCOME TAX STATUS**

The District is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made.

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE K – COMMITMENTS**

Water Purchases

The District is committed to purchasing water each month from the McLean County Regional Water Commission until approximately October 2055. Other than an emergency situation, the District may not purchase water from any other source without prior approval by the commission. For the years ended December 31, 2024 and 2023 water purchases from the McLean County Regional Water Commission were \$487,246 and \$462,017, respectively.

Engineering Service Contract

The District entered into an engineering service contract on June 15, 2023. Under the contract, the total commitment to the engineer is \$70,730 for preliminary design and planning, preparation of plans, preparation of bid proposals, and construction contract administration. This contract is related to a Kentucky Department of Transportation project in which the District is expected to be reimbursed for 100% of costs incurred during the project. The title of the project is the Hwy 250 and Hwy 431 turning lanes project. As of December 31, 2024 and 2023, the District's remaining commitment under the contract was \$70,730.

**NOTE L – COMPENSATED ABSENCES**

The District does not allow employees to accumulate unused personal or vacation days. Sick leave is earned at the rate of one day per month with a maximum accumulation of sixty days. Sick leave may only be used pursuant to a doctor's excuse and may not be converted to cash. No liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of compensated absences when paid to employees.

**NOTE M – NET POSITION**

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets; restricted and unrestricted net assets. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net assets not included in the above categories. As of December 31, 2024 and 2023 no amounts were restricted.

**NOTE N – RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company.

**NOTE O – SUBSEQUENT EVENTS**

Line of Credit Renewal

In March 2025, the line of credit disclosed in Note E was renewed. The line of credit amount remains unchanged at \$175,000 and matures March 16, 2026. The line of credit bears an interest rate of 6.5% per annum and is collateralized by certificates of deposit.

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**NOTE O – SUBSEQUENT EVENTS**

Highway 81 and Highway 431 Water Tank Rehabilitation Project

In April 2025, the District awarded a bid to a contractor for \$241,275 to rehabilitate tanks located at Highway 81 and Highway 431. The project will be partially funded by a grant awarded to the District from the Kentucky Infrastructure Authority provided through the American Rescue Plan Act of 2021, Coronavirus State Fiscal Recovery Fund in the amount of \$195,048. The remaining project costs are expected to be funded from the District's reserves.

Historic Flooding

In April 2025, McLean County experienced historic flooding. The District's operations in the region may have been impacted; however, as of the date of these financial statements, the extent of the damage and the financial impact on the District is unknown.

The District did not have any other subsequent events through April 24, 2025, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2024.





## **INDEPENDENT AUDITORS' 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  
North McLean County Water District  
Livermore, 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 North McLean County Water District, a component unit of the McLean County Fiscal Court, Kentucky, which comprise the statement of financial position as of December 31, 2024, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise North McLean County Water District's basic financial statements and have issued our report thereon dated April 24, 2025.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North McLean 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 North McLean County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the North McLean 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 the 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

### **Report on Compliance and Other Matter**

As part of obtaining reasonable assurance about whether North McLean 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 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*.

## **North McLean County Water District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the North McLean County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. North McLean County Water District response 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Altaden & Company CPAS PSC". The signature is written in a cursive, flowing style.

Owensboro, Kentucky  
April 24, 2025

**NORTH MCLEAN COUNTY WATER DISTRICT**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2024**

**FINDINGS – FINANCIAL STATEMENT 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 adjustments, bookkeeping, tax reporting, and financial reporting. Theft could occur or a misstatement made and may not be detected by management in a timely manner.

*Recommendation:* We recommend office staff review each other's work and that duties be segregated as much as possible for the small organization.

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

2024 – 002      Material Weakness:

Financial Reporting

*Condition:* District personnel lack the expertise to prepare the records and the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

*Criteria:* The District should have adequate controls in place over financial reporting to ensure that the records and financial statements are prepared in accordance with GAAP.

*Cause:* The District does not have personnel with financial reporting expertise, specifically a knowledge of GAAP.

*Effect:* The records or financial statements could contain a material departure from GAAP. Material adjusting entries were required to prepare the records and financial statements in accordance with GAAP.

*Recommendation:* We recommend the District carefully review our proposed corrections and the financial statements to ensure both the records and financial statements are accurate.

*View of Responsible Officials and Planned Corrective Actions:* The District believes it is not economically feasible to hire personnel with GAAP financial reporting expertise. The District will continue to prepare the records in accordance with GAAP to the best of their ability and will carefully review the financial statements.