

**U.S. 60 WATER DISTRICT  
OF SHELBY AND FRANKLIN COUNTIES**

**BASIC FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS**

**At December 31, 2024 and 2023**

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES  
BASIC FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS**

**Years Ended December 31, 2024 and 2023**

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# RAISOR, ZAPP & WOODS, PSC

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the  
U.S. 60 Water District of Shelby and Franklin Counties  
Bagdad, Kentucky 40003

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the accompanying financial statements of U.S. 60 Water District of Shelby and Franklin Counties as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties, as of December 31, 2024 and 2023, and the respective 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the U.S. 60 Water District of Shelby and Franklin Counties and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### *Emphasis-of-Matter – Restatement of Prior Period Financial Statements*

As described in Note 17 to the financial statements, the District restated its 2023 financial statements to recognize interim construction financing and related restricted cash that were not reported in the prior year. This restatement resulted in an increase to both restricted cash and interim financing payable as of December 31, 2023. Our opinion is not modified with respect to this matter.

##### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of 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 U.S. 60 Water District of Shelby and Franklin Counties' 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.

##### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Commissioners of the  
U.S. 60 Water District of Shelby and Franklin Counties  
Page Two**

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 U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties' ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the U.S. 60 Water District of Shelby and Franklin Counties' 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 September 30, 2025, on our consideration of the U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties' internal control over financial reporting and compliance.

*Raisor, Zapp & Woods PSC*

RAISOR, ZAPP & WOODS, P.S.C.  
Certified Public Accountants  
Carrollton, Kentucky

September 30, 2025

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**STATEMENT OF NET POSITION**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023 (Restated)</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash, Including Time Deposits	\$ 1,195,629	\$ 1,183,376
Accounts Receivable (Net)	166,049	162,118
Interest Receivable	6,349	-
Prepaid Expenses	15,351	18,013
Total Current Assets	<u>\$ 1,383,378</u>	<u>\$ 1,363,507</u>
<b>Noncurrent Assets:</b>		
Restricted Assets:		
Cash, Including Time Deposits	\$ 2,614,979	\$ 3,391,474
Capital Assets (Net)	10,150,179	8,890,154
Total Noncurrent Assets	<u>\$ 12,765,158</u>	<u>\$ 12,281,628</u>
<b>Total Assets</b>	<u>\$ 14,148,536</u>	<u>\$ 13,645,135</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 137,958	\$ 121,101
Accounts Payable - Construction	243,653	63,044
Accrued Payroll Taxes/Employee Withholding	1,126	1,132
Utility Tax Payable	3,752	3,549
Sales Tax Payable	1,207	1,233
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable - Customer Deposits	7,446	5,359
Accrued Interest Payable - Long Term Debt	5,453	4,455
Interim Financing Payable	1,600,000	1,600,000
Revenue Bonds Payable	40,000	40,000
Notes Payable	146,684	144,150
Total Current Liabilities	<u>\$ 2,187,279</u>	<u>\$ 1,984,023</u>
<b>Noncurrent Liabilities:</b>		
Revenue Bonds Payable	\$ 70,000	\$ 110,000
Notes Payable	1,778,148	1,924,833
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	156,497	148,759
Total Noncurrent Liabilities	<u>\$ 2,004,645</u>	<u>\$ 2,183,592</u>
<b>Total Liabilities</b>	<u>\$ 4,191,924</u>	<u>\$ 4,167,615</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 6,515,347	\$ 6,671,171
Restricted for Debt Service	2,110,916	1,638,260
Unrestricted	<u>1,330,349</u>	<u>1,168,089</u>
<b>Total Net Position</b>	<u><u>\$ 9,956,612</u></u>	<u><u>\$ 9,477,520</u></u>

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Revenues:</b>		
<b>Charges for Services:</b>		
Water Charges (Net of Estimated Bad Debts)	\$ 1,673,422	\$ 1,537,293
Total Charges for Services	<u>\$ 1,673,422</u>	<u>\$ 1,537,293</u>
<b>Other Charges and Miscellaneous:</b>		
Forfeited Discounts & Service Charges	\$ 33,412	\$ 29,918
Miscellaneous	3,845	7,361
Total Other Charges and Miscellaneous	<u>\$ 37,257</u>	<u>\$ 37,279</u>
Total Operating Revenues	<u>\$ 1,710,679</u>	<u>\$ 1,574,572</u>
<b>Operating Expenses:</b>		
Commissioner Fees	\$ 19,900	\$ 20,000
Contractual Service	288,957	267,739
Insurance	29,370	25,159
Maintenance of Mains	56,014	60,111
Miscellaneous	9,201	6,760
Office Supplies and Expense	26,451	25,096
Other Interest Expense	11,029	5,998
Payroll Taxes	1,522	1,533
Professional Services	23,692	30,369
Purchased Water	521,643	473,025
Purchased Power	31,389	29,763
Regulatory Fees	2,464	2,017
Rental of Building	48,000	30,000
Rental of Equipment	82,296	71,281
Depreciation Expense	251,146	230,650
Total Operating Expenses	<u>\$ 1,403,074</u>	<u>\$ 1,279,501</u>
Net Operating Income	<u>\$ 307,605</u>	<u>\$ 295,071</u>
<b>Nonoperating Revenue (Expense):</b>		
Investment Income	\$ 164,670	\$ 111,930
Interest Expense	(84,960)	(46,793)
Gain/(Loss) on Sale of Assets	(21,142)	-
Total Nonoperating Revenue (Expense)	<u>\$ 58,568</u>	<u>\$ 65,137</u>
Net Income Before Contributions	\$ 366,173	\$ 360,208
Capital Contributions	<u>112,919</u>	<u>492,323</u>
Net Income	\$ 479,092	\$ 852,531
Net Position--Beginning of Year	<u>9,477,520</u>	<u>8,624,989</u>
Net Position--End of Year	<u>\$ 9,956,612</u>	<u>\$ 9,477,520</u>

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023 (Restated)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 1,706,748	\$ 1,582,432
Payments to Suppliers	(1,101,480)	(877,903)
Payments to Employees	(19,900)	(20,000)
Other Receipts (Payments)	(1,033)	(7,622)
Net Cash Provided (Used) by Operating Activities	<u>\$ 584,335</u>	<u>\$ 676,907</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	\$ 112,919	\$ 90,191
Refund of Capital Contributions	-	(62,868)
Proceeds from Interim Financing	-	1,600,000
Interest Paid on Interim Financing	(40,189)	-
Purchase of Capital Assets	(1,356,403)	(701,621)
Proceeds from Sale of Capital Assets	4,699	-
Principal Paid on Long Term Debt	(184,151)	(181,660)
Interest Paid on Long Term Debt	(43,773)	(47,383)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (1,506,898)</u>	<u>\$ 696,659</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Cash Withdrawn From [Invested in] Certificates of Deposit	\$ (14,744)	\$ (589)
Interest Received	158,321	111,930
Net Cash Provided (Used) by Investing Activities	<u>\$ 143,577</u>	<u>\$ 111,341</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (778,986)	\$ 1,484,907
Balances-Beginning of the Year	<u>4,265,629</u>	<u>2,780,722</u>
Balances-End of the Year	<u><u>\$ 3,486,643</u></u>	<u><u>\$ 4,265,629</u></u>

	<b>Balances Per December 31, 2024 Statement of Net Position</b>	<b>Balances Per December 31, 2024 Statement of Cash Flows</b>
Cash	\$ 871,664	\$ 871,664
Time Deposits	323,965	-
Restricted Cash	2,614,979	2,614,979
Total Cash and Cash Equivalents, End of Year	<u><u>\$ 3,810,608</u></u>	<u><u>\$ 3,486,643</u></u>
	<b>Balances Per December 31, 2023 Statement of Net Position</b>	<b>Balances Per December 31, 2023 Statement of Cash Flows</b>
Cash	\$ 874,155	\$ 874,155
Time Deposits	309,221	-
Restricted Cash	3,391,474	3,391,474
Total Cash and Cash Equivalents, End of Year	<u><u>\$ 4,574,850</u></u>	<u><u>\$ 4,265,629</u></u>

(Continued)

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 307,605	\$ 295,071
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	251,146	230,650
<b>Change in Assets and Liabilities:</b>		
Receivables, Net	(3,931)	7,860
Inventories	-	134,315
Prepaid Expenses	2,662	(5,983)
Accounts and Other Payables	16,857	16,618
Accrued Expenses	2,258	(2,084)
Customer Meter Deposits Payable	<u>7,738</u>	<u>460</u>
Net Cash Provided by Operating Activities	<u>\$ 584,335</u>	<u>\$ 676,907</u>

**SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

At December 31, 2024 and 2023, U.S. 60 Water District of Shelby and Franklin Counties had \$243,653 and \$63,044, respectively, of accounts payable related to capital projects.



**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2024 and 2023**

**NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

The U.S. 60 Water District of Shelby and Franklin Counties is a rural Water District serving customers in Anderson, Franklin, Shelby and Spencer Counties, Kentucky, and is regulated by the Public Service Commission of the Commonwealth of Kentucky. The Water District was formed under the laws of the above-mentioned counties through their Fiscal Courts and began operations in June, 1960.

In evaluating how to define U.S. 60 Water District of Shelby and Franklin Counties for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

**A summary of the District's significant accounting policies follows:**

**Basis of Presentation and Accounting:** As stated in Kentucky Revised Statutes (KRS) 278.015, "any water district shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission." In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction and may prescribe the manner in which such accounts shall be kept. The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows net of total liabilities and deferred inflows) are segregated into net investment in capital assets, restricted, and unrestricted components.

**Revenues and Expenses:** Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. The District adheres to the use restrictions established by debt agreements when expenses are incurred for which both restricted and unrestricted net position is available. The District has no policy defining which resources (restricted or unrestricted) to use first. Restricted amounts are considered to have been spent when an expense is incurred for the purpose of such classifications.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment:** Property and equipment purchased or constructed is stated at cost. Costs associated with hook-up fees are capitalized as meters, installations, and services. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives by type of asset is as follows:

- Distribution System	15-62.5 years
- Machinery & Equipment	5-50 years

Construction in process represents costs related to various water line extensions being installed by the District as well as system improvements. Expenses for maintenance and repairs that do not increase the useful life of the asset are charged to operations as they are incurred.

As part of the rate increase study performed by the Public Service Commission (PSC) during 2017, it was recommended to the District that the lives of distribution system assets be extended to reflect recommendations made by the PSC during its review. Depreciation Expense has been calculated using straight line depreciation as applied to the assets' historical costs over the revised asset lives.

**Bond and Note Payable Issuance Costs:** Such costs are expensed as incurred.

**Deferred Outflows and Deferred Inflows:** Deferred inflows of resources and deferred outflows of resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.

**Income Taxes:** The U.S. 60 Water District of Shelby and Franklin Counties is not subject to income taxes.

**Inventory:** Inventories are stated at cost based on first in – first out.

**Contributed Capital:** Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District recognizes capital contributions as revenues in the statement of revenues, expenses, and changes in fund net position. Tap-on fees of \$46,650 and \$33,375 were received by the District for the years ended December 31, 2024 and 2023, respectively.

Customer capital contributions of \$0 and \$412,133 were received by the Water District for the years ended December 31, 2024 and 2023, respectively, for hydrants and line extensions. The Water District received \$66,269 and \$46,815 of funding from the Kentucky Infrastructure Authority Cleaner Water Grant for the Franklin County Service Area Radio Read Meter Replacement Project for the years ended December 31, 2024 and 2023, respectively.

**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: net investment in capital assets; restricted; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. 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 position not included in the above categories.

**Estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statement of Cash Flows:** For the purpose of the Statement of Cash Flows, U.S. 60 Water District of Shelby and Franklin Counties considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 3 – CASH AND INVESTMENTS**

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

**Custodial Credit Risk**

U.S. 60 Water District of Shelby and Franklin Counties' policies regarding deposits of cash are in accordance with Kentucky statutes. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2024, in accordance with the District's policy, \$894,898 of the District's deposits were covered by federal depository insurance and \$2,916,226 were collateralized by securities held by the pledging financial institutions' agent in the District's name. As of December 31, 2023, in accordance with the District's policy, \$2,145,819 of the District's deposits were covered by federal depository insurance and \$2,473,882 were collateralized by securities held by the pledging financial institutions' agent in the District's name. Thus the District had no deposits that were exposed to custodial credit risk at December 31, 2024 and 2023.

Cash and cash equivalents consisted of the following:

**December 31, 2024**

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ 2,930,103	\$ 2,929,587
Time and Savings	881,021	881,021
Total Deposits	<u>\$ 3,811,124</u>	<u>\$ 3,810,608</u>

**December 31, 2023**

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ 2,510,198	\$ 2,465,347
Time and Savings	2,109,503	2,109,503
Total Deposits	<u>\$ 4,619,701</u>	<u>\$ 4,574,850</u>

Reconciliation to Statement of Net Position:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Unrestricted Cash, Including Time Deposits	\$ 1,195,629	\$ 1,183,376
Restricted Cash, Including Time Deposits	2,614,979	3,391,474
	<u>\$ 3,810,608</u>	<u>\$ 4,574,850</u>

**NOTE 4 – RESTRICTED ASSETS**

Restricted cash and time deposits consist of the following:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Bond and Interest Sinking Accounts	\$ 46,435	\$ 45,819
Depreciation Accounts	2,063,584	1,596,896
Construction- Interim Financing	348,463	1,600,000
Customer Deposits	156,497	148,759
Total	<u>\$ 2,614,979</u>	<u>\$ 3,391,474</u>

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 2 – DEBT RESTRICTIONS AND COVENANTS**

A Bond and Interest Sinking Account was established with the original RECD bond issue, and is to be maintained as long as any of the 1992, 1998, 2008A, 2008B, or 2013B issues are outstanding. A minimum balance is to be maintained in this account as security to the bondholders. To attain the minimum balance, a monthly transfer must be made as follows:

$$\begin{array}{rcl}
 & \text{one sixth (1/6) of the next semiannual interest payment} & \\
 + & \text{one twelfth (1/12) of the next annual principal payment} & \\
 = & \text{monthly transfer} & 
 \end{array}$$

During the years ended December 31, 2024 and 2023, sufficient transfers were made to the sinking fund account but were not computed in accordance with the debt agreement.

Under the 1992, 1998, 2008A, and 2008B bond resolutions, a Depreciation Account is to be maintained as long as any of the bonds are outstanding to provide funds for extraordinary repairs and extensions to the system, and to make up any deficiency in the Bond and Interest Sinking Fund Account. The 2013B bond resolution maintained the provisions of the prior bond legislation. The required minimum monthly transfers and balances are as follows:

	<b>Monthly Requirements</b>	<b>Required Accumulated Balance</b>
1992 Bond Issue	\$185/month	\$ 22,200
1998 Bond Issue	\$215/month	25,800
2008A & B Bond Issues	\$377/month	44,400
	<u>Total</u>	<u>\$ 92,400</u>

When the required balance of \$92,400 is attained, the monthly transfers may be discontinued but are subject to resumption if the depreciation account is depleted below the required balance. While the depreciation account was fully funded for the years ended December 31, 2024 and 2023, monthly transfers continue to be made.

Under the Kentucky Infrastructure Authority Loan B14-003 and B15-007 Assistance Agreements, a replacement reserve account is to be maintained by the District. For KIA Loans B14-003 and B15-007, the annual replacement cost of \$3,300 and \$5,800, respectively should be added to the replacement account on each December 1 until the balance reaches \$33,000 and \$58,000, respectively, and maintained for the life of the loan. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the project or for the costs of replacing worn or obsolete portions of the project. If amounts are withdrawn from the Maintenance and Replacement Reserve Fund, the District shall again make the periodic deposits hereinabove required until the maximum balance is again reinstated. A separate reserve has not been established for the Kentucky Infrastructure Authority Reserve. However, the District has funded reserve accounts sufficient to fund the maximum required balances in the KIA assistance agreements at December 31, 2024 and 2023.

After the required monthly transfers to the respective bond and interest account and depreciation account(s), a transfer shall be made from the Revenue Fund and deposited into the Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating & maintaining the system. The balance maintained in the Operation and Maintenance Fund shall not be in excess of two months of the District's operating budget. Sixty days following year end, all remaining funds in the revenue account in excess of two (2) months operating budget requirements are to be transferred to the depreciation account.

At December 31, 2024 and 2023, \$1,699,295 and \$1,256,328, respectively, were calculated as the required transfer to be made and have been considered restricted.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 5 – CUSTOMER ACCOUNTS RECEIVABLE**

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of \$51,049 and \$39,013 at December 31, 2024 and 2023, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data. There were no amounts formally written off during 2024 or 2023.

Estimated unbilled water service of \$44,057 and \$45,058 is included in accounts receivable at December 31, 2024 and 2023, respectively.

**NOTE 6 – CAPITAL ASSETS**

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

	Balance at January 1, 2024	Additions	Disposals	Balance at December 31, 2024
Land	\$ 10,483	\$ -	\$ -	\$ 10,483
Structures & Improvements	24,234	-	-	24,234
Distribution System	13,746,787	980,810	112,409	14,615,188
Machinery & Equipment	414,287	731,152	-	1,145,439
Construction in Process	269,493	1,485,266	1,660,216	94,543
Totals at Historical Cost	<u>\$ 14,465,284</u>	<u>\$ 3,197,228</u>	<u>\$ 1,772,625</u>	<u>\$ 15,889,887</u>
<b>Less: Accumulated Depreciation</b>				
Structures & Improvements	\$ (24,234)	\$ -	\$ -	\$ (24,234)
Distribution System	(5,287,558)	(236,971)	(86,568)	(5,437,961)
Machinery & Equipment	(263,338)	(14,175)	-	(277,513)
Total Accumulated Depreciation	<u>\$ (5,575,130)</u>	<u>\$ (251,146)</u>	<u>\$ (86,568)</u>	<u>\$ (5,739,708)</u>
Capital Assets, Net	<u>\$ 8,890,154</u>	<u>\$ 2,946,082</u>	<u>\$ 1,686,057</u>	<u>\$ 10,150,179</u>
	Balance at January 1, 2023	Additions	Disposals	Balance at December 31, 2023
Land	\$ 10,483	\$ -	\$ -	\$ 10,483
Structures & Improvements	24,234	-	-	24,234
Distribution System	13,257,000	495,172	5,385	13,746,787
Machinery & Equipment	414,287	-	-	414,287
Construction in Process	31,550	699,565	461,622	269,493
Totals at Historical Cost	<u>\$ 13,737,554</u>	<u>\$ 1,194,737</u>	<u>\$ 467,007</u>	<u>\$ 14,465,284</u>
<b>Less: Accumulated Depreciation</b>				
Structures & Improvements	\$ (24,234)	\$ -	\$ -	\$ (24,234)
Distribution System	(5,072,831)	(220,112)	(5,385)	(5,287,558)
Machinery & Equipment	(252,800)	(10,538)	-	(263,338)
Total Accumulated Depreciation	<u>\$ (5,349,865)</u>	<u>\$ (230,650)</u>	<u>\$ (5,385)</u>	<u>\$ (5,575,130)</u>
Capital Assets, Net	<u>\$ 8,387,689</u>	<u>\$ 964,087</u>	<u>\$ 461,622</u>	<u>\$ 8,890,154</u>

Included under the District's capital assets were \$663,049 and \$658,329 of fully depreciated assets at December 31, 2024 and 2023, respectively. Land and construction in process is not depreciated.

Depreciation expense for 2024 and 2023 was \$251,146 and \$230,650, respectively.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 7 – CUSTOMER DEPOSITS**

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full). Records are maintained which detail the accrued interest on each customer's deposit based on the current annual rate. Accrued interest is paid when the deposit is refunded or credited to the customer's account annually.

At December 31, 2024 and 2023, accrued interest on customer deposits was \$7,446 and \$5,359, respectively. The District has not maintained a separate bank account specifically for cash collected and disbursed relating to customer deposits.

**NOTE 8 – LONG-TERM DEBT**

As of December 31, 2024 and 2023, long-term debt payable consisted of the following:

**Direct Placement**

**Bonds Payable:**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
2013B Revenue Bonds (Flexible Term Program) original issue amount of \$490,000, secured by water revenues. Interest is charged at the rates of 2.30% - 3.55% per annum. Final maturity is February 1, 2032.		
Total Bonds Payable	\$ 110,000	\$ 150,000
	<u>\$ 110,000</u>	<u>\$ 150,000</u>
Current Portion	\$ 40,000	\$ 40,000
Noncurrent Portion	70,000	110,000
Total Bonds Payable	<u>\$ 110,000</u>	<u>\$ 150,000</u>

**Bonds Payable Kentucky Rural Water Finance Corporation Flexible Term Finance Program Series 2013B**

On February 27, 2013, U.S. 60 Water District of Shelby and Franklin Counties issued \$490,000, Series 2013B Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds with interest rates of 2.30% - 3.55% to advance refund \$247,000 Series 1986 and \$227,900 Series 1992 revenue bonds outstanding. The 1986 Series was originally issued at 7.625%. The 1992 Series was issued at 6.125%. The refunded bonds were redeemed on February 27, 2013, at a price equal to 100% of the principal amounts of the refunded bonds outstanding at that date. Bond issuance costs were \$13,808.

As a result of the advance refunding, the District reduced its total debt service requirements by \$166,686, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$122,451. The final maturity on the 2013B issue is February 1, 2032.

The annual requirements for all bonds payable outstanding at December 31, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 40,000	\$ 2,933	\$ 42,933
2026	10,000	2,170	12,170
2027	10,000	1,852	11,852
2028	10,000	1,523	11,523
2029	10,000	1,193	11,193
2030-2032	30,000	1,565	31,565
	<u>\$ 110,000</u>	<u>\$ 11,236</u>	<u>\$ 121,236</u>

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 8 – LONG-TERM DEBT (Continued)**

If there is any default in the payment of the principal of or interest on any of the Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of current expenses, and to apply the revenues in conformity with the bond resolutions and the provisions of the statute laws of Kentucky.

**Direct Borrowing Debt**

**Notes Payable:**

2014 Kentucky Infrastructure Authority note, original loan amount of \$1,300,000, secured by water revenues. Interest is charged at a rate of 1.75% per annum plus loan servicing fees of 0.20%. Final maturity is June 1, 2035.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	\$ 738,680	\$ 802,237

2016 Kentucky Infrastructure Authority note, original loan amount of \$1,721,905, secured by water revenues. Interest is charged at a rate of 1.75% per annum plus loan servicing fees of 0.20%. Final maturity is December 1, 2037.

**Total Notes Payable**

	1,186,152	1,266,746
<b>\$</b>	<u>1,924,832</u>	<u>\$ 2,068,983</u>

**Current Portion**

**Noncurrent Portion**

<b>\$</b>	146,684	\$ 144,150
	1,778,148	1,924,833
<b>\$</b>	<u>1,924,832</u>	<u>\$ 2,068,983</u>

Upon the occurrence of an event of default, the Kentucky Infrastructure Authority shall be entitled to the appointment of a receiver of the System and all receipts therefrom. The Kentucky Infrastructure Authority may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the District defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by the Kentucky Infrastructure Authority.

The annual requirements for all notes payable outstanding at December 31, 2024 are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Service Fees</b>	<b>Total</b>
2025	\$ 146,684	\$ 33,046	\$ 3,777	\$ 183,507
2026	149,262	30,467	3,482	183,211
2027	151,886	27,844	3,182	182,912
2028	154,555	25,174	2,877	182,606
2029	157,272	22,458	2,567	182,297
2030-2034	828,809	69,839	7,982	906,630
2035-2037	336,364	9,529	1,089	346,982
	<u>\$ 1,924,832</u>	<u>\$ 218,357</u>	<u>\$ 24,956</u>	<u>\$ 2,168,145</u>

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 8 – LONG-TERM DEBT (Continued)**

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended December 31, 2024.

	<b>Balance at January 1, 2024</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2024</b>	<b>Current Portion</b>
Revenue Bonds Payable (Direct Placement)	\$ 150,000	\$ -	\$ 40,000	\$ 110,000	\$ 40,000
Notes Payable (Direct Borrowing)	2,068,983	-	144,151	1,924,832	146,684
<b>Total Long-Term Debt</b>	<b>\$ 2,218,983</b>	<b>\$ -</b>	<b>\$ 184,151</b>	<b>\$ 2,034,832</b>	<b>\$ 186,684</b>

The following is a summary of changes in long-term debt for the year ended December 31, 2023.

	<b>Balance at January 1, 2023</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2023</b>	<b>Current Portion</b>
Revenue Bonds Payable (Direct Placement)	\$ 190,000	\$ -	\$ 40,000	\$ 150,000	\$ 40,000
Notes Payable (Direct Borrowing)	2,210,643	-	141,660	2,068,983	144,150
<b>Total Long-Term Debt</b>	<b>\$ 2,400,643</b>	<b>\$ -</b>	<b>\$ 181,660</b>	<b>\$ 2,218,983</b>	<b>\$ 184,150</b>

The annual requirements for all long-term debt outstanding at December 31, 2024 is as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Service Fees</b>	<b>Total</b>
2025	\$ 186,684	\$ 35,979	\$ 3,777	\$ 226,440
2026	159,262	32,637	3,482	195,381
2027	161,886	29,696	3,182	194,764
2028	164,555	26,697	2,877	194,129
2029	167,272	23,651	2,567	193,490
2030-2034	858,809	71,404	7,982	938,195
2035-2037	336,364	9,529	1,089	346,982
	<b>\$ 2,034,832</b>	<b>\$ 229,593</b>	<b>\$ 24,956</b>	<b>\$ 2,289,381</b>

**NOTE 9 – INTERIM FINANCING**

On November 30, 2023, the District entered into a loan agreement with Kentucky Rural Water Financing Agency, whereas the Agency offered interim financing of \$1,600,000 to the District. The Kentucky Rural Water Financing Agency's interim program uses a net borrowing cost that is determined by a stated loan rate minus an interest earnings credit on any undisbursed construction funds. The net cost of the financing during the year December 31, 2024 was \$41,438. This has been recognized as interest expense for the year ended December 31, 2024. The Kentucky Rural Water Financing Agency interim program provides construction funding for water systems that have received a permanent loan commitment from the United States Department of Agriculture-Rural Development (RD). Loan proceeds were utilized for the 2021 Water System Improvements construction project and are to be repaid with RD bond funds when the project is complete. Rural Development Bonds of \$1,600,000 at 3.25% were issued on February 21, 2025.



**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 10 – INTEREST EXPENSE**

Interest expense incurred for the year ended December 31, 2024 and 2023 was \$95,989 and \$52,791, respectively.

**NOTE 11 – FUND EQUITY – RESTRICTED NET POSITION**

**Restricted for Debt Service:**

**Revenue Bonds of 2013B and KIA Note Payable B14-003 and B15-007.**

	<b><u>December 31, 2024</u></b>	<b><u>December 31, 2023</u></b>
Cash	\$ 2,110,020	\$ 1,642,715
Add: Accrued Interest Receivable	6,349	-
Less: Accrued Interest Payable	(5,453)	(4,455)
Total Restricted for Debt Service	<u>\$ 2,110,916</u>	<u>\$ 1,638,260</u>

**NOTE 12 – BAD DEBT EXPENSE**

Water revenue charges have been netted with an estimated bad debt expense of \$12,036 and \$8,802 at December 31, 2024 and 2023, respectively.

**NOTE 13 – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. and is also subject to the risks associated with employee injury. Each of these risks is covered through the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 14 – ECONOMIC DEPENDENCY**

For the years ended December 31, 2024 and 2023, respectively, the District purchased 91.63% and 91.77% of the water it sold from Shelbyville Municipal Water. The District purchased 8.37% and 8.23% of the water it sold from Frankfort Electric and Water Plant Board for the years ended December 31, 2024 and 2023, respectively.

**NOTE 15– OPERATION AND MAINTENANCE CONTRACT**

North Shelby Water Company furnishes managerial, meter reading, maintenance, meter installation, accounts receivable processing, and general office services to U.S. 60 Water District. The District paid \$504,174 and \$424,841 for the years ended December 31, 2024 and 2023, respectively. There were amounts payable to North Shelby Water Company in the amount of \$50,751 and \$51,367 at December 31, 2024 and 2023, respectively.

**NOTE 16 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

On February 21, 2025, U.S. 60 Water District of Shelby and Franklin Counties issued \$1,600,000, Series 2024 Revenue Bonds with interest rate of 3.25%. Bond issuance costs were \$15,493.

As of December 31, 2024, the District had not yet completed the Kentucky Highway 395 Check Valve Vault or the full-scale rehabilitation of the existing Driscoll Water Storage Tank included in the 2021 Water System Improvements project. In September 2023, the District awarded the contract for painting of the Driscoll Water Storage Tank to Currans Construction Service for \$243,150, the contract for the KY Highway 395 Check Valve Vault to Cumberland Pipeline, LLC for \$57,561, and the contract for the Driscoll Water Storage Tank Site Piping Modifications to Cumberland Pipeline, LLC for \$161,064. This portion of the 2021 Water System Improvements project will be financed in part with the District's own funds. Final completion is expected in the Fall of 2025.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2024 and 2023**

**NOTE 16 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (CONTINUED)**

The District has been awarded Cleaner Water Program (CWP) Grants through the Kentucky Infrastructure Authority in the amount of \$650,000 from the Shelby County allocation. The funding from Shelby County will be used for the Waddy Water System Improvement Project that is expected to be completed in the calendar year 2026. These funds are provided through the American Rescue Plan Act of 2021 and were obligated by December 31, 2024 for the Waddy Water System Improvement Project and will be fully expended by December 31, 2026 or will be forfeited.

Management has considered subsequent events through the date of this report September 30, 2025, for disclosure. No events were identified that would have impacted the financial statements for the year ended December 31, 2024.

**NOTE 17 – PRIOR PERIOD RESTATEMENT**

During the current year, management discovered that interim financing proceeds received prior to December 31, 2023, were not recorded in the District's financial statements for the year then ended. These funds were restricted under the loan agreement for use in the construction of system improvements. At December 31, 2023, no construction costs had been incurred. As a result, both restricted cash and interim financing payable were understated at December 31, 2023. Construction in progress and net investment in capital assets were not affected by this transaction for the year ended December 31, 2023.

The correction of this error has a neutral impact on net position, but the balance sheet presentation has been restated to correct this error. The effect of this restatement is summarized below:

	Net Position
Net Position, as previously reported – December 31, 2023	\$ 9,477,520
Adjustment to record cash received from interim financing	+ 1,600,000
Adjustment to record related interim financing payable	– 1,600,000
Net Position, as restated – December 31, 2023	\$ 9,477,520

Although the correction increased both cash and liabilities, there was no effect on net position. This restatement provides a more accurate presentation of the District's financial position by properly reporting the interim financing activity in the prior year.

# RAISOR, ZAPP & WOODS, PSC

## Certified Public Accountants

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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 Commissioners of the  
U.S. 60 Water District of Shelby and Franklin Counties  
Bagdad, 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 U.S. 60 Water District of Shelby and Franklin Counties as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise U.S. 60 Water District of Shelby and Franklin Counties' basic financial statements, and have issued our report thereon dated September 30, 2025.

#### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties' internal control. Accordingly, we do not express an opinion on the effectiveness of U.S. 60 Water District of Shelby and Franklin Counties' 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

**Commissioners of the  
U.S. 60 Water District of Shelby and Franklin Counties  
Page Two**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether U.S. 60 Water District of Shelby and Franklin Counties' 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*.

**U.S. 60 Water District of Shelby and Franklin Counties' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the U.S. 60 Water District of Shelby and Franklin Counties' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. U.S. 60 Water District of Shelby and Franklin Counties' 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 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.

*Raisor, Zapp & Woods PSC*

RAISOR, ZAPP, & WOODS P.S.C.  
Certified Public Accountants  
Carrollton, Kentucky

September 30, 2025

# RAISOR, ZAPP & WOODS, PSC

## 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 Commissioners of the  
U.S. 60 Water District of Shelby and Franklin Counties  
Bagdad, Kentucky 40003

#### Report on Compliance for Each Major Federal Program

##### *Opinion on Each Major Federal Program*

We have audited U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties' major federal programs for the year ended December 31, 2024. U.S. 60 Water District of Shelby and Franklin Counties' 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, U.S. 60 Water District of Shelby and Franklin Counties 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 U.S. 60 Water District of Shelby and Franklin Counties 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 U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties' 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 U.S. 60 Water District of Shelby and Franklin Counties' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about U.S. 60 Water District of Shelby and Franklin Counties' compliance with the requirements of each major federal program as a whole.

To the Commissioners of the  
U.S. 60 Water District of Shelby and Franklin Counties  
Page Two

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 U.S. 60 Water District of Shelby and Franklin Counties' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of U.S. 60 Water District of Shelby and Franklin Counties' 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of U.S. 60 Water District of Shelby and Franklin Counties' 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.

*Raisor, Zapp & Woods PSC*

RAISOR, ZAPP & WOODS, PSC  
Certified Public Accountants  
Carrollton, Kentucky

September 30, 2025

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Years Ended December 31, 2024 and 2023**

<u>Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 1,488,284
Total Expenditures of Federal Awards			<u>\$ 1,488,284</u>

**NOTE A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the U.S. 60 Water District of Shelby and Franklin Counties 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 the U.S. 60 Water District of Shelby and Franklin Counties, it is not intended to and does not present the financial position, changes in net position, or cash flows of the U.S. 60 Water District of Shelby and Franklin Counties.

**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: Non-Cash Awards**

The U.S. 60 Water District of Shelby and Franklin Counties did not receive any other federal awards in the form of non-cash assistance, insurance contracts, or loan guarantees for the year ended December 31, 2024.

**NOTE D: Passed Through to Sub-Recipients**

There were no awards passed through to sub-recipients.

**NOTE E: Indirect Cost Rate**

U.S. 60 Water District of Shelby and Franklin Counties has not elected to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance. U.S. 60 Water District of Shelby and Franklin Counties has not included indirect costs in the schedule.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2024**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified   X   Yes        No

Significant deficiencies identified that are not  
considered to be material weaknesses        Yes   X   None Reported

Non-compliance material to financial statements noted        Yes   X   No

**Federal Awards:**

Internal control over major programs:

Material weaknesses identified        Yes   X   No

Significant deficiencies identified that are not  
considered to be material weaknesses        Yes   X   None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516 (a)        Yes   X   No

**Major Program:**

**AL Numbers**

**Name of Federal Program or Cluster**

10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A  
and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?        Yes   X   No



**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended December 31, 2024**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS**

**MATERIAL WEAKNESSES**

**2024-001 SIZE OF ENTITY, CROSS-TRAINING AND CHECKING PROCEDURES**

**CONDITION:**

Due to the size of the entity, cross-training and checking procedures are not in place for certain administrative positions. This limits internal control. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2023 as Item 2023-001.

**CRITERIA:**

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow timely preparation of financial data consistent with management assertions. Internal controls should also be in place to provide oversight of all functions both internal and outsourced.

**CAUSE:**

Responsibilities associated with individual positions limit the availability of individuals to rotate duties and implement checking procedures.

**EFFECT:**

This limitation may affect the ability to timely record, process, summarize and report financial data.

**RECOMMENDATION:**

Management should strive to provide cross-training for administrative staff and implement checking processes.

**VIEWS OF RESPONSIBLE OFFICIALS:**

We concur with the recommendation. Management believes adequate resources have been expended and control procedures implemented, that are commensurate with the staff size and responsibility of financial personnel.

**2024-002 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES**

**CONDITION:**

District financial statements, including the required disclosures, are prepared as part of the annual audit. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2023 as Item 2023-002.

**CRITERIA:**

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

**CAUSE:**

The draft accrual basis financial statements and disclosures are prepared during the audit process. Recommended adjusting entries are approved and entered into the District's general ledger/financial reports.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended December 31, 2024**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)**

**MATERIAL WEAKNESSES (CONTINUED)**

**2024-002 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED  
NOTE DISCLOSURES (CONTINUED)**

**EFFECT:**

Management engaged the auditor to prepare the draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

**RECOMMENDATION:**

District management should continue to enhance its knowledge of reporting requirements in providing oversight of this service.

**VIEWS OF RESPONSIBLE OFFICIALS:**

The outsourcing of this service is a result of management's cost benefit decision to use others' accounting expertise rather than incur internal resource costs. We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities.

**SECTION III – PRIOR AUDIT FINDINGS: FINANCIAL STATEMENT FINDINGS**

**2023-001 – SIZE OF ENTITY, CROSS-TRAINING AND CHECKING PROCEDURES**

**CONDITION:**

Due to the size of the entity, cross-training and checking procedures were not in place for certain administrative positions. This limited internal control.

**STATUS:**

This condition has not been fully corrected and continues to exist. It has been repeated in the current year as Finding 2024-001. Management continues to concur with the recommendation and believes adequate resources have been expended and control procedures implemented that are commensurate with the staff size and responsibility of financial personnel.

**PLANNED CORRECTIVE ACTION:**

Management will continue to explore opportunities for cross-training of administrative staff and will work to implement feasible checking and review processes within the constraints of the entity's staffing levels. Periodic reviews will be performed by management to ensure key functions are adequately monitored.

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended December 31, 2024**

**SECTION III – PRIOR AUDIT FINDINGS: FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2023-002 – FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED  
NOTE DISCLOSURES**

**CONDITION:**

District financial statements, including the required disclosures, were prepared as part of the annual audit.

**STATUS:**

This condition has not been fully corrected and continues to exist. It has been repeated in the current year as Finding 2024-002. Management continues to concur with the recommendation and notes that the outsourcing of this service remains a cost-benefit decision.

**PLANNED CORRECTIVE ACTION:**

Management will continue to enhance its understanding of generally accepted accounting principles and financial reporting requirements. Oversight of the preparation of the financial statements continues by reviewing draft statements and disclosures and discussing recommended adjustments with the auditor during the audit process.

**SECTION IV – PRIOR AUDIT FINDINGS: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**NONE**