

Bronston Water Association, Inc.

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Independent Auditors' Report  
And Financial Statements  
For the Year Ended  
December 31, 2024

Bronston Water Association, Inc.  
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## Independent Auditors' Report

To the Board of Directors  
Bronston Water Association, Inc.  
Bronston, Kentucky

### **Opinion**

We have audited the accompanying financial statements of Bronston Water Association, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronston Water Association, Inc., as of December 31, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bronston Water Association, Inc. 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.

### **Correction of Error**

As discussed in Note 7 to the financial statements, beginning net assets have been restated to remove fixed assets that could not be substantiated. Our opinion is not modified with respect to that 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 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 Association'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 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of the Association'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 Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

*Abner & Cox, PLLC*

Abner & Cox, PLLC  
London, Kentucky

December 1, 2025

Bronston Water Association, Inc.  
 Statements of Financial Position  
 December 31, 2024

Assets

Current Assets

Cash and cash equivalents	\$ 511,763
Short-term investments	947,805
Accounts receivable, less allowance	89,393
Unbilled receivables	33,901
Inventory	92,080
Total Current Assets	1,674,942

Noncurrent Assets

Restricted cash	327,722
Construction period interest, net of amortization	7,397
Capital assets, net of depreciation	6,221,423
Total Noncurrent Assets	6,556,542

Total Assets	8,231,484
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Liabilities

Current Liabilities

Current portion of long-term debt	92,025
Accounts payable	1,090,141
Accrued expenses	10,150
Accrued interest	61,262
Customer deposits	20,761
Total Current Liabilities	1,274,339

Noncurrent Liabilities

Long-term debt	3,660,881
Total Noncurrent Liabilities	3,660,881

Total Liabilities	4,935,220
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Net Assets

Net assets without donor restrictions	3,296,264
Net assets with donor restrictions	-
Total Net Position	\$ 3,296,264

Bronston Water Association, Inc.  
 Statements of Activities  
 For the Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Operating Revenues		
Sales to customers	\$ 1,123,190	\$ -
Other revenue	20,777	-
Total Operating Revenues	<u>1,143,967</u>	<u>-</u>
Operating Expenses		
Purchased water	364,983	-
Transmission and distribution	299,281	-
Administration and general	171,939	-
Depreciation and amortization	156,075	-
Total Operating Expenses	<u>992,278</u>	<u>-</u>
Operating Income	<u>151,689</u>	<u>-</u>
Non-Operating Revenues (Expenses)		
Interest income	40,254	-
Bond and interest expense	(91,297)	-
Total Non-Operating Revenues (Expenses)	<u>(51,043)</u>	<u>-</u>
Change in Net Assets	<u>100,646</u>	<u>-</u>
Beginning Net Assets, as Previously Reported	4,049,447	-
Prior Period Adjustment	(893,428)	-
Beginning Net Assets, as Restated	<u>3,156,019</u>	<u>-</u>
Ending Net Assets	<u>\$ 3,256,665</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Bronston Water Association, Inc.  
 Statements of Functional Expenses  
 For the Year Ended December 31, 2024

	Program	Cost of Direct Benefit to Donors	Management and General	Fundraising	Total Expenses
Purchased water	\$ 364,983	\$ -	\$ -	\$ -	\$ 364,983
Water testing	6,270				6,270
Personnel expense	147,559	-	51,218	-	198,777
Materials and supplies	94,299	-	-	-	94,299
Repairs and maintenance	51,153	-	-	-	51,153
Professional services	4,500	-	555	-	5,055
Insurance	24,876	-	1,564	-	26,440
Office expenses	18,165	-	14,151	-	32,316
Interest	91,297	-	-	-	91,297
Directors fees	-	-	15,828	-	15,828
Utilities	-	-	11,673	-	11,673
Transportation expense	551	-	-	-	551
Depreciation and amortization	156,075	-	-	-	156,075
Miscellaneous expense	25,481	-	3,377	-	28,858
<b>Total Expenses</b>	<b>\$ 985,209</b>	<b>\$ -</b>	<b>\$ 98,366</b>	<b>\$ -</b>	<b>\$ 1,083,575</b>

See accompanying notes to financial statements.

Bronston Water Association, Inc.  
Statements of Cash Flows  
For the Year Ended December 31, 2024

Cash Flows From Operating Activities	
Cash received from user charges	\$ 1,087,166
Cash payments for goods and services	(657,545)
Cash payments for employees	(194,769)
Net Cash Provided by Operating Activities	<u>234,852</u>
Cash Flows From Noncapital Financing Activities	-
Cash Flows From Capital Financing Activities	
Acquisition and construction of capital assets	(13,674)
Principal paid on loans	(90,426)
Interest and service fees paid on loans	(92,787)
Net Cash Used by Capital Financing Activities	<u>(196,887)</u>
Cash Flows From Investing Activities	
Net change in short-term investments	187,318
Interest income	40,254
Net Cash Provided by Investing Activities	<u>227,572</u>
Net Increase in Cash and Cash Equivalents	265,537
Cash and Cash Equivalents at Beginning of Year	<u>573,948</u>
Cash and Cash Equivalents at End of Year	<u>\$ 839,485</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 151,689
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	156,075
Changes in assets and liabilities:	
Receivables	(57,966)
Inventory	(12,531)
Accounts payable	(7,588)
Accrued expenses	4,008
Customer deposits	1,165
Net Cash Provided by Operating Activities	<u>\$ 234,852</u>
Reconciliation of Cash and Cash Equivalents at End of Year	
Cash and cash equivalents	\$ 511,763
Restricted cash	327,722
Total Cash and Cash Equivalents at End of Year	<u>\$ 839,485</u>

See accompanying notes to financial statements.

Bronston Water Association, Inc.  
Notes to Financial Statements  
December 31, 2024

Note 1 – Summary of Significant Accounting Policies

Nature of Organization and Operations

Bronston Water Association, Inc. was formed to provide water utility service to the residents of Bronston, Kentucky and the surrounding service area in a safe and economically efficient manner. Operations are funded by billing members for water service provided at rates approved by the Public Service Commission.

Basis of Accounting, Financial Presentation and Measurement Focus

Financial statement presentation is consistent with the accounting principles generally accepted in the United States of America as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB); the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Association had only net assets without donor restrictions in 2024 and 2023.

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association reports information regarding its financial position and activities according to the following net asset classifications:

*Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Association considers all highly liquid investments (including restricted cash and investments), with an initial term of ninety days or less to be cash equivalents. This includes bank certificates of deposit and demand checking accounts.

Accounts Receivable and Allowance for Doubtful Accounts

Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed. Customer balances are written off when they become 90 days in arrears. Subsequent collections on written off accounts are recorded as revenue when collected. Therefore no allowance for uncollectible accounts is necessary at December 31, 2024.

Unbilled receivables represent an estimate of revenue earned but not billed between the time that meters are last read in December and the last day of the fiscal year, which is December 31.

Bronston Water Association, Inc.  
Notes to Financial Statements (Continued)  
December 31, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Short-Term Investments

Short-term investments consist of certificates of deposit with an initial term in excess of ninety days, as well as various interest-bearing demand accounts. These investments are stated at face value.

Inventory

Inventory is valued at cost and consists of common items for water line repair, pipes, valves, couplings, meters, etc.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expense is reported in the year in which services are consumed.

Capital Assets

Capital assets include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, and equipment that have a useful life of more than one reporting period based on the Association's capitalization policy. The cost of additions to the utility plant and major replacements of retired property is capitalized, and the cost of repairs, maintenance, and minor replacements is recorded as expense. By Association policy, capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life of more than one year. Cost includes direct labor, outside services, materials, and transportation employee fringe benefits, and overhead. Interest incurred during construction is capitalized. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from disposal is credited or recorded in the non-operating section of the statements of revenues, expenses, and changes in net assets. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The range of useful lives of assets is as follows:

<u>Asset Classification</u>	<u>Range of Lives (in years)</u>
Transmission and distributions mains	35-75
Structures and improvements	35-40
Pumping and water treatment equipment	20-45
Meters, hydrants and services	35-60
Other equipment	5-10

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds are used to finance the construction of assets, and amortized over the term of the debt.

Grants-in-Aid of Construction

Grants-in-aid of construction are accrued as qualifying expenditures are incurred. Such grants are recognized as revenue in the period earned.

Accounts Payable

Accounts payable represent expenses incurred in the current year to be paid in the subsequent year. Most of the Association's accounts payable are to vendors or for the purchase of water.

Bronston Water Association, Inc.  
Notes to Financial Statements (Continued)  
December 31, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Long-Term Debt

Long-term debt is reported as liabilities. Loan discount or premium is amortized over the term of the respective loans outstanding using the straight-line method.

Customer Deposits

Customer deposits represent amounts deposited by customers when signing up for water utility service. These amounts are refundable to the customers when they separate service. In the event a customer account becomes uncollectible, the Association will apply the deposit against the outstanding balance.

Liability for Compensated Absences

The Association's full-time employees are provided vacation and sick leave dependent upon the length of service of the employee. The Association does not compensate employees for unused vacation and sick leave and unused vacation and sick leave does not carry over from year to year. No liability for compensated absences is recorded at December 31, 2024.

Income Taxes

The Association has received notification from the Internal Revenue Service that it qualifies as a 501(c)(12) tax exempt organization and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and similar provisions of state law.

The Association is not currently under audit, nor has it been contacted by the Internal Revenue Service. Based on the evaluation of the Association's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2024. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2022.

Use of Estimates

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

Note 2 – Restricted Cash

The Association includes all funds required for other debt services, and funds related to specific projects or customer deposits to be restricted. At December 31, 2024, restricted cash amounted to \$327,722. This includes restrictions for customer deposits of \$23,193, and restrictions for debt service of \$304,529.

Bronston Water Association, Inc.  
Notes to Financial Statements (Continued)  
December 31, 2024

Note 3 – Cash and Cash Equivalents

At December 31, 2024, the Association reported amounts on deposit in various banks before reconciling items of \$1,779,850, of which \$250,000 at each bank was insured by the FDIC. Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. As of December 31, 2024, \$1,076,806 of the Association's bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 199,312
Uninsured and collateral held by pledging bank	877,494
Uninsured and collateral held by pledging bank's trust department not in the Commission's name	-
<b>Total</b>	<b>\$ 1,076,806</b>

Note 4 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2024:

	Balance December 31, 2023	Additions	Dispositions	Balance December 31, 2024
<b>Historical Cost</b>				
Land and land rights	\$ 132,500	\$ -	\$ -	\$ 132,500
Transmission and distribution	8,419,604	-	-	8,419,604
Meters and installation	991,327	6,048	-	997,375
Office building and furnishings	75,505	-	-	75,505
Equipment and vehicles	96,770	7,626	-	104,396
Construction in progress	-	1,049,148	-	1,049,148
<b>Total at Historical Cost</b>	<b>9,715,706</b>	<b>1,062,822</b>	<b>-</b>	<b>10,778,528</b>
<b>Less: Accumulated Depreciation</b>				
Transmission and distribution	3,813,441	127,083	-	3,940,524
Meters and installation	480,378	15,221	-	495,599
Office building and furnishings	51,019	1,036	-	52,055
Equipment and vehicles	57,061	11,866	-	68,927
<b>Total Accumulated Depreciation</b>	<b>4,401,899</b>	<b>155,206</b>	<b>-</b>	<b>4,557,105</b>
<b>Capital Assets - Net</b>	<b>\$ 5,313,807</b>	<b>\$ 907,616</b>	<b>\$ -</b>	<b>\$ 6,221,423</b>

Note 5 – Long-Term Debt

The Association's long-term debt consists of notes payable to Rural Development (RD), which were obtained for various acquisitions of buildings and equipment. The notes mature annually in varying series over the period 2043 to 2061.

Bronston Water Association, Inc.  
Notes to Financial Statements (Continued)  
December 31, 2024

Note 5 – Long-Term Debt

The following is a summary of long-term debt activity for the year ended December 31, 2024:

	Balance 12/31/2023	Additions	Payments	Balance 12/31/2024	Due Within One Year
Various notes payable to Rural Development, issued in 2003 to 2021, interest rates of 1.25% to 4.25%, with maturities from 2043 to 2061	\$ 3,843,332	\$ -	\$ (90,426)	\$ 3,752,906	\$ 92,025

The aggregate annual debt service requirements on long-term debt at December 31, 2024 are summarized as follows:

Year Ended June 30	Principal	Interest and Servicing Fee	Total
2025	\$ 92,025	\$ 94,356	\$ 186,381
2026	94,422	91,960	186,382
2027	96,890	89,492	186,382
2028	99,433	86,950	186,383
2029	102,055	84,328	186,383
2030-2034	552,477	379,431	931,908
2035-2039	631,236	300,671	931,907
2040-2044	700,641	208,716	909,357
2045-2049	658,881	116,139	775,020
2050-2054	469,480	51,180	520,660
2055-2059	239,923	13,906	253,829
2060-2061	15,443	686	16,129
	<u>\$ 3,752,906</u>	<u>\$ 1,517,815</u>	<u>\$ 5,270,721</u>

Note 6 – Risk Management

The Association is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Utility Association carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 7 – Prior Period Adjustment

Beginning net assets have been restated to remove fixed assets on the Association's depreciation schedule with a net book value of \$893,428 that could not be substantiated. Net assets of the Association as of December 31, 2023 have been restated from \$4,049,447 to \$3,156,019.

Note 8 – Subsequent Events

Management has evaluated subsequent events through December 1, 2025, the date on which the financial statements were available to be issued.

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 Directors  
Bronston Water Association, Inc.  
Bronston, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Bronston Water Association, Inc., (the Association) as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise Bronston Water Association, Inc.'s basic financial statements, and have issued our report thereon dated December 1, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronston Water Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bronston Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bronston Water Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2024-2.

## Bronston Water Association, Inc.'s Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on Bronston Water Association, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Bronston Water Association, Inc.'s response was not subjected to the other auditing procedures applied to 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Abner & Cox, PLLC*

Abner & Cox, PLLC  
London, Kentucky

December 1, 2025

Bronston Water Association, Inc.  
Schedule of Findings and Responses  
December 31, 2024

Findings – Financial Statements

2024-1

**Criteria:**

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

**Condition:**

During the audit procedures performed, instances of this objective not being completely achieved were noted.

**Cause:**

The size of the Association's office staff does not allow proper segregation of duties with regard to bank reconciliations, cash collections, billings, postings to the accounts receivable ledger, and expenditures for goods or services.

**Effect:**

This condition creates a weakness in internal controls which could result in unauthorized transactions being processed.

**Views of responsible officials and planned corrective actions:**

*The Association feels that it would not be cost beneficial to hire the personnel required to complete these tasks.*

2024-2

**Criteria:**

According to Kentucky Revised Statute (KRS) 66.480, deposits are required to be insured by the federal depository insurance or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4).

**Condition:**

During the audit procedures performed, instances of this objective not being completely achieved were noted.

**Cause:**

The Association's savings and deposit accounts were insured with the Federal Deposit Insurance Corporation up to the covered limit. Additionally, accounts with local banks were collateralized with pledged securities in the amount of \$1,279,135 as of December 31, 2024. The remaining bank balances of \$199,312 were uncollateralized.

**Effect:**

This condition creates risk in the event of a bank failure a portion of the Association's deposits might not be returned to them.

**Views of responsible officials and planned corrective actions:**

*The Association understands the responsibility related to custodial credit risk and will discuss providing collateral securities for their savings and deposit accounts.*