

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY AND
OTHER INFORMATION**

DECEMBER 31, 2024 AND 2023

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Contents
December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Members
East Daviess County Water Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Daviess County Water Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Daviess County Water Association, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Daviess County Water Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Daviess County Water Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, including omissions, 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 East Daviess County Water Association, Inc.'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 East Daviess County Water Association, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises a Schedule of Insurance and a Schedule of Rates, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2025 on our consideration of East Daviess County Water Association, Inc.'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 East Daviess County Water 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 East Daviess County Water Association, Inc.'s internal control over financial reporting and compliance.

Altaden & Company CPAs PSC

Owensboro, Kentucky
May 23, 2025

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,540,081	\$ 1,190,748
Investments	453,304	428,130
Accounts receivable, net	237,607	231,789
Other receivables	22,279	3,822
Inventory	197,721	126,084
Prepaid insurance	13,601	17,162
Other current assets	7,243	7,243
TOTAL CURRENT ASSETS	2,471,836	2,004,978
OTHER ASSETS		
Restricted cash - reserve fund	39,214	36,574
Restricted investments - security deposit fund	41,525	41,525
TOTAL OTHER ASSETS	80,739	78,099
CAPITAL ASSETS		
Property and equipment, net of accumulated depreciation of \$6,873,477 and \$6,614,387, respectively	9,098,926	8,369,471
Construction in progress	-	6,927
TOTAL CAPITAL ASSETS	9,098,926	8,376,398
TOTAL ASSETS	\$ 11,651,501	\$ 10,459,475

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023 (Restated)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 148,921	\$ 90,610
Accounts payable - RWRA	48,541	24,895
Accrued taxes	7,023	6,874
Accrued interest	5,247	5,842
Customer deposits	35,100	36,242
Accrued payroll and payroll taxes	41,033	44,200
Current portion of long-term debt	18,110	17,351
TOTAL CURRENT LIABILITIES	<u>303,975</u>	<u>226,014</u>
LONG-TERM DEBT, net of current portion	<u>281,727</u>	<u>299,837</u>
TOTAL LIABILITIES	<u>585,702</u>	<u>525,851</u>
NET ASSETS		
Without donor restrictions:		
Federal grants	2,690,080	1,807,300
State and local grants	2,343,641	2,343,641
Contributions in aid	5,181,479	5,087,947
Appropriated	80,739	78,099
Unappropriated	769,860	616,637
TOTAL NET ASSETS	<u>11,065,799</u>	<u>9,933,624</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,651,501</u></u>	<u><u>\$ 10,459,475</u></u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Statements of Activities

Years ended December 31, 2024 and 2023

	2024	2023 (Restated)
OPERATING REVENUE		
Water sales	\$ 2,613,386	\$ 2,376,874
Miscellaneous service revenue	80,198	71,081
TOTAL OPERATING REVENUES	2,693,584	2,447,955
OPERATING EXPENSES		
Bad debts	20,000	10,000
Depreciation	300,116	259,816
Directors' fees	15,750	15,500
Employee benefits	176,036	151,810
Insurance	39,406	34,821
Legal and accounting	22,175	24,646
Miscellaneous	48,196	35,190
Office supplies and postage	121,310	89,183
Payroll taxes	44,203	40,269
PSC assessment	3,839	2,906
Repairs	129,966	79,861
Salaries and wages	564,458	523,069
Telephone	6,828	6,710
Transportation	37,757	29,249
Utilities	56,811	51,716
Water purchased	1,001,845	915,604
Water testing	8,008	10,713
TOTAL OPERATING EXPENSES	2,596,704	2,281,063
INCOME FROM OPERATIONS	96,880	166,892
OTHER INCOME (EXPENSE)		
Loss on disposal of assets	(11,357)	(98,129)
Net investment income	84,510	65,728
Interest expense	(14,170)	(14,604)
TOTAL OTHER INCOME (EXPENSE)	58,983	(47,005)
NET INCOME	\$ 155,863	\$ 119,887

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statement of Functional Expenses
Year ended December 31, 2024

	Operating	General and Administrative	Total
Bad debts	\$ 20,000	\$ -	\$ 20,000
Depreciation	285,565	14,551	300,116
Directors' fees	-	15,750	15,750
Employee benefits	139,069	36,967	176,036
Insurance	35,465	3,941	39,406
Legal and accounting	-	22,175	22,175
Miscellaneous	14,409	33,787	48,196
Office supplies and postage	-	121,310	121,310
Payroll taxes	34,920	9,283	44,203
PSC assessment	-	3,839	3,839
Repairs	128,666	1,300	129,966
Salaries and wages	444,208	120,250	564,458
Telephone	-	6,828	6,828
Transportation	37,757	-	37,757
Utilities	55,106	1,705	56,811
Water purchased	1,001,845	-	1,001,845
Water testing	8,008	-	8,008
Total Expenses	<u>\$ 2,205,018</u>	<u>\$ 391,686</u>	<u>\$ 2,596,704</u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Statement of Functional Expenses
Year ended December 31, 2023
(Restated)

	Operating	General and Administrative	Total
Bad debts	\$ 10,000	\$ -	\$ 10,000
Depreciation	247,219	12,597	259,816
Directors' fees	-	15,500	15,500
Employee benefits	119,930	31,880	151,810
Insurance	31,339	3,482	34,821
Legal and accounting	-	24,646	24,646
Miscellaneous	10,521	24,669	35,190
Office supplies and postage	-	89,183	89,183
Payroll taxes	31,813	8,456	40,269
PSC assessment	-	2,906	2,906
Repairs	79,062	799	79,861
Salaries and wages	411,636	111,433	523,069
Telephone	-	6,710	6,710
Transportation	29,249	-	29,249
Utilities	50,164	1,552	51,716
Water purchased	915,604	-	915,604
Water testing	10,713	-	10,713
Total Expenses	<u>\$ 1,947,250</u>	<u>\$ 333,813</u>	<u>\$ 2,281,063</u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Statements of Changes in Net Assets

Years ended December 31, 2024 and 2023

	Federal Grants	State and Local Grants	Contributions in Aid	Appropriated	Unappropriated	Total
BALANCES, DECEMBER 31, 2022	\$ 1,807,300	\$ 2,343,641	\$ 3,391,292	\$ 75,970	\$ 498,879	\$ 8,117,082
Net income	-	-	-	-	119,887	119,887
Transfer to (from) reserves	-	-	-	2,129	(2,129)	-
Contributions	-	-	1,696,655	-	-	1,696,655
BALANCES, DECEMBER 31, 2023, AS RESTATED	<u>1,807,300</u>	<u>2,343,641</u>	<u>5,087,947</u>	<u>78,099</u>	<u>616,637</u>	<u>9,933,624</u>
Net income	-	-	-	-	155,863	155,863
Transfer to (from) reserves	-	-	-	2,640	(2,640)	-
Contributions	882,780	-	93,532	-	-	976,312
BALANCES, DECEMBER 31, 2024	<u>\$2,690,080</u>	<u>\$2,343,641</u>	<u>\$5,181,479</u>	<u>\$ 80,739</u>	<u>\$ 769,860</u>	<u>\$ 11,065,799</u>

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Statements of Cash Flows

Years ended December 31, 2024 and 2023

	2024	2023 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 155,863	\$ 119,887
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	300,116	259,816
Loss on disposal of assets	11,357	98,129
Unrealized gain on investments	(12)	(3,119)
(Increase) decrease in:		
Accounts receivable	(5,818)	(22,224)
Other receivable	(18,457)	(3,822)
Inventory	(71,637)	14,188
Prepaid insurance	3,561	495
Increase (decrease) in:		
Accounts payable	81,957	29,784
Accrued taxes payable	149	1,172
Customer deposits	(1,142)	2,827
Accrued payroll and payroll taxes	(3,167)	5,445
Accrued interest payable	(595)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	452,175	502,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(25,162)	(15,784)
Proceeds from property and equipment disposals	4,619	3,559
Proceeds from insurance claims	-	7,083
Purchases of property and equipment	(1,038,620)	(516,216)
NET CASH USED IN INVESTING ACTIVITIES	(1,059,163)	(521,358)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(17,351)	(16,623)
Federal grant reimbursements	882,780	-
Contribution in aid of construction	93,532	54,962
NET CASH PROVIDED BY FINANCING ACTIVITIES	958,961	38,339
INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	351,973	19,559
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	1,227,322	1,207,763
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 1,579,295	\$ 1,227,322

See accompanying notes.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

East Daviess County Water Association, Inc. (the "Water Association") is a water utility which operates in rural sections of Daviess, Hancock, and Ohio Counties of Kentucky, and its sales are primarily to residential customers.

Reporting Entity

East Daviess County Water Association, Inc. was created and organized as a non-profit association and is exempt from income tax under section 501(c)(12) of the Internal Revenue Code.

Basis of Accounting

The Water Association maintains its accounting records on the accrual basis of accounting.

Basis of Presentation

The Water Association is required to report information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Management Estimates

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

Regulation

The Water Association's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the Commonwealth of Kentucky Public Service Commission. The Water Association's accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the Public Service Commission which conform to generally accepted accounting principles in all material respects.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Water Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of December 31, 2024 and 2023 cash and cash equivalents consisted of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,540,081	\$ 1,190,748
Restricted cash - reserve fund	<u>39,214</u>	<u>36,574</u>
Total cash and cash equivalents	<u>\$ 1,579,295</u>	<u>\$ 1,227,322</u>

Reserve fund cash is restricted pursuant to a loan agreement with the U.S. Department of Agriculture.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

Cash paid for interest for 2024 and 2023 was \$14,765 and \$14,604, respectively.

Noncash financing activities for 2024 and 2023, representing donated water lines to the Water Association were \$0 and \$1,637,851, respectively.

Accounts Receivable

Accounts receivable is stated at net realizable value net of the allowance for credit losses and consists of water sales to residential, commercial, industrial, agricultural, and other customers. Accounts receivable for the previous month's billing are considered past due after the 15th of the current month.

Allowance for Credit Losses

The allowance for credit losses is based on historical experience, current conditions, and reasonable and supportable forecasts about collectability and represents in management's opinion, an adequate allowance to provide for probable uncollectible accounts. Any inactive and unpaid accounts from the previous year are presented to the board of directors for approval and written off in the last quarter of the current year. Changes in the allowance for credit losses during the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
	<u> </u>	<u> </u>
Balance, beginning of year	\$ (17,989)	\$ (15,820)
Bad debt expense	(20,000)	(10,000)
Write-offs	21,998	9,430
Recoveries	<u>(1,587)</u>	<u>(1,599)</u>
Balance, end of year	<u>\$ (17,578)</u>	<u>\$ (17,989)</u>

Inventory

Inventory consists of materials and supplies which are stated at lower of cost (determined on the first-in, first-out basis) or net realizable value. Salvaged meters as well as newly purchased meters not yet installed are included in inventory at the end of each year.

Property and Equipment

Property and equipment are stated at original cost or fair value if contributed. Self-constructed asset labor is not capitalized. It is the Water Association's policy to capitalize property or equipment over \$2,000. Depreciation expense is computed on the straight-line method. Depreciation expense for the years ended December 31, 2024 and 2023 was \$300,116 and \$259,816, respectively. Estimated useful lives of major components of the utility plant in service are determined by the Kentucky Public Service Commission. Useful lives are as follows:

Water pumps and equipment	20 years
Service equipment	22.5 years
Land improvements	25 years
Meters	40 years
Water reservoirs	50 years
Water lines	62.5 years

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

Management periodically evaluates whether events or circumstances have occurred that indicate that excess of cost over net assets acquired and other long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, management assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Revenue Recognition

The Water Association recognizes revenue when performance obligations are satisfied. Generally, the Water Association's performance obligations are satisfied when control of water services are transferred. Customers are billed based on their monthly usage at rates approved by the Kentucky Public Service Commission. Revenue is recognized on a monthly basis after the service has been provided. Because customers are billed after the service has been provided, the Water Association's right to consideration is unconditional. Customers are billed monthly and payment is expected within 30 days. Any amounts that have been collected for services, where control has not transferred, are recorded as security deposits or unearned revenues (contract liabilities).

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are partially attributable to Operations (water sales and distribution) as well as General and Administrative. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The most significant expenses that are allocated include compensation and benefits for personnel, which are allocated based on general estimates of time incurred for each function.

Income Taxes

The Water Association maintains the tax position that it is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made. The Water Association did not pay any interest or penalty as a result of its tax position. The tax years 2022 through 2024 remain subject to examination by the Internal Revenue Service.

Adoption of FASB ASU 2016-13 and Related Standards

At the beginning of 2023, the Water Association adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Water Association adopted this new guidance utilizing the modified retrospective transition method effective January 1, 2023. The adoption of this Standard did not have a material impact on the Water Association's financial statements but did change how the allowance for credit losses is determined.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE B - INVESTMENTS

Investments consists of the following at December 31, 2024 and 2023:

<u>Investments:</u>	2024		
	<u>Carrying Value</u>	<u>Matures</u>	<u>Interest Rate</u>
Cash held at broker	\$ 229	Not applicable	Not applicable
Brokered certificate of deposit	128,019	1/6/2025	5.30%
Brokered certificate of deposit	238,060	5/5/2025	4.35%
Brokered certificate of deposit	128,521	7/10/2025	5.05%
Total investments	<u>\$ 494,829</u>		

2024	
<u>Statement of Financial Position:</u>	
Investments	\$ 453,304
Restricted investments - security deposit fund	<u>41,525</u>
Total investments	<u>\$ 494,829</u>

<u>Investments:</u>	2023		
	<u>Carrying Value</u>	<u>Matures</u>	<u>Interest Rate</u>
Cash held at broker	\$ 68	Not applicable	Not applicable
Brokered certificate of deposit	10,003	6/28/2024	5.25%
Brokered certificate of deposit	234,075	6/28/2024	5.25%
Brokered certificate of deposit	225,509	10/23/2024	5.45%
Total investments	<u>\$ 469,655</u>		

2023	
<u>Statement of Financial Position:</u>	
Investments	\$ 428,130
Restricted investments - security deposit fund	<u>41,525</u>
Total investments	<u>\$ 469,655</u>

Net investment income consists of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest income	\$ 84,498	\$ 62,609
Unrealized gains	<u>12</u>	<u>3,119</u>
Net investment income	<u>\$ 84,510</u>	<u>\$ 65,728</u>

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE C – REVENUE FROM CUSTOMER CONTRACTS

Contract Receivables and Liabilities

Contract receivables and contract liabilities with customers consists of the following as of December 31, 2024 and 2023:

	Accounts Receivables		Customer Deposits	
	2024	2023	2024	2023
Beginning of year	\$ 231,789	\$ 209,565	\$ 36,242	\$ 33,415
End of year	237,607	231,789	35,100	36,242

Disaggregated Revenue by Customer Type:

Water sales consists of the following at December 31, 2024 and 2023:

	Water Sales	
	2024	2023
Residential	\$ 2,464,139	\$ 2,195,222
Commercial	94,839	117,120
Industrial and other types	54,408	64,532
Total water sales	<u>\$ 2,613,386</u>	<u>\$ 2,376,874</u>

NOTE D – PROPERTY AND EQUIPMENT

The major classes of property and equipment at December 31, 2024 and 2023 consist of the following:

	2024	2023
Land	\$ 181,488	\$ 181,488
Pumping system	457,208	457,208
Transmission and distribution system	14,307,152	13,400,101
General plant	1,026,555	945,061
	<u>15,972,403</u>	<u>14,983,858</u>
Less accumulated depreciation	<u>(6,873,477)</u>	<u>(6,614,387)</u>
Property and equipment, net	<u>\$ 9,098,926</u>	<u>\$ 8,369,471</u>

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE E - LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Note payable to U.S. Department of Agriculture, Rural Development with interest at the rate of 4.375% per annum, due in annual installments of \$31,228, including interest through August 7, 2046.	\$ 299,837	\$ 317,188
Less: Current portion	<u>(18,110)</u>	<u>(17,351)</u>
Long-term debt, net of current portion	<u>\$ 281,727</u>	<u>\$ 299,837</u>

U.S. Department of Agriculture, Rural Development holds a mortgage on substantially all assets of the Water Association. The Water Association's loan agreement includes various covenants, including a provision that it will not borrow any money from any source or enter into any contract agreement or incur any other liabilities in connection with making extensions or improvements to the facility, exclusive of normal maintenance, without obtaining the prior written consent of the Mortgagee. The cash reserve fund associated with the U.S. Department of Agriculture, Rural Development loan is fully funded. The Reserve Fund shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by unforeseen catastrophe, for making extensions or improvements to the facility with the prior written approval of the U.S. Department of Agriculture, Rural Development, and when necessary, for the purpose of making debt service payments on the U.S. Department of Agriculture, Rural Development note in the event funds are not available from current operating funds. Maturities of notes payable are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2025	\$ 18,110
2026	18,902
2027	19,729
2028	20,593
2029	21,494
Thereafter	<u>201,009</u>
	<u>\$ 299,837</u>

NOTE F – FEDERAL GRANTS

Federal grant programs are shown as contributions on the Statements of Changes in Net Assets for the years ended December 31, 2024 and 2023. Reimbursements (paid and outstanding) for allowable costs under federal grant programs were \$882,780 and \$0, respectively.

All federal funding for the year ended December 31, 2024 relates to ALN #21.027 Coronavirus State and Local Fiscal Recovery Funds. Under the program, eligible entities were able to use the funding to make necessary investments in water, sewer, or broadband infrastructure.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE G – CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction includes money or other property contributed to the Water Association. For the years ended December 31, 2024 and 2023, contributions in aid of construction were \$93,532 and \$1,696,655, respectively.

For the year ended December 31, 2024, monetary and noncash contributions were \$93,532 and \$0, respectively.

For the year ended December 31, 2023, monetary and noncash contributions were \$58,804 and \$1,637,851, respectively. The noncash contribution during 2023 was from the Daviess County Fiscal Court. The Daviess County Fiscal Court donated a project that included a new water main extension located along Short Station Road and Jack Hinton Road.

NOTE H – WATER SUPPLY CONTRACT

On May 14, 1992 the Water Association entered into a 50-year water supply contract with the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU). The rate charged to the Water Association by OMU consists of both fixed and variable cost components. Under certain circumstances the Water Association may be required by OMU to impose usage restrictions on its customer. The Water Association purchases either directly or indirectly all of its water for resale from OMU. Purchases for the years ended December 31, 2024 and 2023 were \$1,001,845 and \$915,604, respectively.

NOTE I - CONCENTRATION OF CREDIT RISK

At December 31, 2024 and 2023, the Water Association's bank balances of cash and cash equivalents and the par value of certificates of deposits held by a broker totaled \$2,532,185 and \$1,737,484, respectively. For 2024 and 2023, all amounts were insured by the FDIC.

NOTE J – MEDICAL EXPENSE REIMBURSEMENT PLAN

The Water Association provides a medical reimbursement plan (MERP) to its employees. This plan was implemented to provide quality medical coverage for the Water Association's employees while decreasing the Water Association's overall medical insurance expense. The plan reimburses employees for medical and hospital expenses incurred by themselves and their dependents from December 1 to November 30 in any calendar year, but not to exceed \$6,000 for single employee or \$12,000 for family plan per plan year. The reimbursements exclude insurable and eligible medical, prescription, and hospital expenses available to employees under the Water Association's group insured health plan. This plan also excludes employee dental expenses and expenses for non-prescription drugs. For the years ended December 31, 2024 and 2023, medical reimbursements paid to employees were \$22,572 and \$15,755, respectively.

NOTE K – RETIREMENT PLAN

The Water Association maintains a voluntary Simple IRA Plan for all full-time employees. Employees may elect to participate immediately upon employment. The Water Association matches the employees' contribution up to 3% of their compensation. Vesting takes place immediately. The Water Association's contributions were \$16,263 and \$14,888 for the years ended December 31, 2024 and 2023, respectively.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Water Association's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2024	2023
Financial assets, at year end:		
Cash	\$ 1,579,295	\$ 1,227,322
Investments	494,829	469,655
Accounts receivable, net	237,607	231,789
Other receivables	22,279	3,822
	<u>2,334,010</u>	<u>1,932,588</u>
Total financial assets, at year end		
Less those unavailable for general expenditure within one year:		
Cash restricted for loan covenants	(39,214)	(36,574)
Investments restricted for customer security deposits	(41,525)	(41,525)
	<u>(80,739)</u>	<u>(78,100)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,253,271</u>	<u>\$ 1,854,489</u>

The Water Association's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2024	2023
Financial assets, at year end:		
Cash	\$ 1,540,081	\$ 1,190,748
Investments	453,304	428,130
Accounts receivable, net	237,607	231,789
Other receivables	22,279	3,822
	<u>2,253,271</u>	<u>1,854,489</u>
Total financial assets, at year end	<u>\$ 2,253,271</u>	<u>\$ 1,854,489</u>

Restricted cash and investments unavailable for general expenditure within one year are as follows: (1) Reserve fund cash is restricted pursuant to a loan agreement with the U.S. Department of Agriculture, Rural Development; and (2) Investments – security deposit fund cash consists of security deposits paid by customers.

NOTE M – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE M – FAIR VALUE MEASUREMENTS (continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.
- Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.
- Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets itemized below were measured at fair value during the years ended using observed values for underlying interest rates. Fair values of assets measured on a recurring basis at December 31, 2024 and 2023 are as follows:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices		
		In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring fair value measurements:</u>	<u>Fair Value</u>			
<i>December 31, 2024</i>				
Investments:				
Brokered certificates of deposit	\$ 494,829	\$ -	\$ 494,829	\$ -
Total recurring fair value measurements	<u>\$ 494,829</u>	<u>\$ -</u>	<u>\$ 494,829</u>	<u>\$ -</u>
<i>December 31, 2023</i>				
Investments:				
Brokered certificates of deposit	\$ 469,655	\$ -	\$ 469,655	\$ -
Total recurring fair value measurements	<u>\$ 469,655</u>	<u>\$ -</u>	<u>\$ 469,655</u>	<u>\$ -</u>

NOTE N – COMMITMENTS AND CONTINGENCIES

Purchased Water

The Water Association purchases water from Owensboro Municipal Utilities (OMU) based on the Water Association's estimated usage. Any underpayments or overpayments are applied to future water purchases through rate adjustments. OMU calculates the difference between the estimated and actual usage as of the end of their fiscal year (May 31st). As of May 31, 2024 and 2023, the net underpayment to OMU for the actual cost of water provided to the Association was \$46,339 and \$147,367, respectively. For the years ended December 31, 2024 and 2023, the Association experienced rate increases due to the underpayments.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2024 and 2023

NOTE N – COMMITMENTS AND CONTINGENCIES (continued)

Purchase Commitments - Meters

On December 27, 2024, the Association ordered water meters and other materials at a total cost of \$150,044. The water meters and other materials are expected to be delivered in 2025.

Construction Commitments

As of December 31, 2024 and 2023 construction commitments were as follows:

Knottsville Elevated Tank Rehabilitation Project

During 2024, the Water Association completed a tank rehabilitation project to paint the existing Knottsville elevated tank. The final cost of the project was \$483,940 and was placed into service during 2024. As of December 31, 2024 and 2023, construction commitments (for engineers and contractors) were \$22,279 and \$26,000, respectively. The project costs were funded by a federal grant program (ALN #21.027 Coronavirus State Fiscal Recovery Funds) via the Kentucky Infrastructure Authority.

Floral Road Water Main Extension Project

During 2024, the Water Association completed a construction project for a new main extension located along Floral Road. The final cost of the project was \$171,590 and was placed into service during 2024. As of December 31, 2024 and 2023, construction commitments (for engineers and contractors) were \$0 and \$16,000, respectively. The project costs were funded by a federal grant program (ALN #21.027 Coronavirus State Fiscal Recovery Funds) via the Kentucky Infrastructure Authority.

Herbert Road Water Line Extension Project

During 2024, the Water Association completed a construction project for a water line extension located along Herbert Road. The final cost of the project was \$23,234 and was placed into service during 2024. As of December 31, 2024 and 2023, there were no construction commitments (for engineers or contractors). During 2024, the Ohio County Fiscal Court reimbursed the Association for project costs in the amount of \$22,414.

NOTE O – RESTATEMENT OF 2023 FINANCIAL STATEMENTS

Management restated the following line items for errors identified in the 2023 financial statements:

	Previously Reported	Restatement	Restated
Prepaid insurance	\$ 26,941	\$ (9,779)	\$ 17,162
Accounts payable - RWRA	2,288	22,607	24,895
Miscellaneous service revenue	93,688	(22,607)	71,081
Insurance expense	25,042	9,779	34,821

NOTE P – SUBSEQUENT EVENTS

The Water Association did not have any subsequent events through May 23, 2025, which is the date the financial statements were available to be issued requiring recording or disclosure in the financial statements for the year ended December 31, 2024.

SUPPLEMENTARY INFORMATION

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2024

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Name of Grant	Pass-Through to Subrecipients	Total Federal Awards Expended
<u>U.S. Department of Treasury</u>					
<i><u>Passed through Kentucky Infrastructure Authority:</u></i>					
Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW129	Hancock Meter Replacement Project	\$ -	\$ 225,000
Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW131	Floral Road Water Main Extension Project	-	160,090
Coronavirus State and Local Fiscal Recovery Funds	21.027	22CWW365	Knottsville Tank Rehabilitation Project	-	480,190
TOTAL U.S. DEPARTMENT OF TREASURY				-	865,280
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ -	\$ 865,280

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Notes to Schedule of Expenditures of Federal Awards
December 31, 2024

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of East Daviess County Water Association, Inc. 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 Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.) Because the Schedule presents only a selected portion of the operations of the Water Association, it is not intended to and does not present the financial position, activities, changes in net assets, or cash flows of the Water Association.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Water Association has elected not to use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The Water Association did not provide any funds to subrecipients during the year ended December 31, 2024.

OTHER INFORMATION

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Insurance
December 31, 2024

<u>Coverage</u>	<u>Amount of Coverage</u>
Workmen's Compensation	\$ 500,000 limit per occurrence
General Liability	\$ 1,000,000 limit per occurrence \$ 3,000,000 limit in aggregate
Property and Contents	\$ 3,701,321 limit
Cyber Liability	\$ 1,000,000 limit
Employee Dishonesty	\$ 250,000 limit
Automobile Liability	\$ 1,000,000 limit per accident
Umbrella Coverage	\$ 2,000,000 limit per occurrence \$ 2,000,000 limit in aggregate

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Schedule of Rates

December 31, 2024

Tap-on Fees

Charge

5/8" x 3/4" Meter

\$ 1,350

All larger meters

Actual Cost

Monthly rates

5/8" x 3/4" Meter

First 2,000 gallons

\$22.72 (Minimum Bill)

Next 4,000 gallons

8.47 per 1,000 gallons

Next 44,000 gallons

7.30 per 1,000 gallons

Over 50,000 gallons

6.44 per 1,000 gallons

3/4" Meter

First 3,000 gallons

\$31.19 (Minimum Bill)

Next 3,000 gallons

8.47 per 1,000 gallons

Next 44,000 gallons

7.30 per 1,000 gallons

Over 50,000 gallons

6.44 per 1,000 gallons

1" Meter

First 6,000 gallons

\$56.61 (Minimum Bill)

Next 44,000 gallons

7.30 per 1,000 gallons

Over 50,000 gallons

6.44 per 1,000 gallons

1-1/2" Meter

First 10,000 gallons

\$85.80 (Minimum Bill)

Next 40,000 gallons

7.30 per 1,000 gallons

Over 50,000 gallons

6.44 per 1,000 gallons

2" Meter

First 20,000 gallons

\$158.77 (Minimum Bill)

Next 30,000 gallons

7.30 per 1,000 gallons

Over 50,000 gallons

6.44 per 1,000 gallons

3" Meter

First 30,000 gallons

\$231.80 (Minimum Bill)

Next 20,000 gallons

7.30 per 1,000 gallons

Over 50,000 gallons

6.44 per 1,000 gallons

4" Meter

First 50,000 gallons

\$377.80 (Minimum Bill)

Over 50,000 gallons

6.44 per 1,000 gallons

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.

Schedule of Rates

December 31, 2024

6" Meter

First 100,000 gallons	\$699.80 (Minimum Bill)
Over 100,000 gallons	6.44 per 1,000 gallons
Leak Adjustment Rate	\$5.25 per gallon
Wholesale Rate	\$4.45 per gallon



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
East Daviess County Water Association, Inc.

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 East Daviess County 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, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matter

As part of obtaining reasonable assurance about whether East Daviess County 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 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Altaden & Company CPAS PSC

Owensboro, Kentucky
May 23, 2025

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

To the Board of Directors
East Daviess County Water Association, Inc.

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited East Daviess County Water Association, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of East Daviess County Water Association, Inc.'s major federal programs for the year ended December 31, 2024. East Daviess County Water Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of East Daviess County Water Association, Inc. 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 East Daviess County Water Association, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to East Daviess County Water Association, Inc.'s federal programs.

Auditors' 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 East Daviess County Water Association, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about East Daviess County Water Association, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding East Daviess County Water Association, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of East Daviess County Water Association, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of East Daviess County Water Association, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.



Owensboro, Kentucky
May 23, 2025

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of East Daviess County Water Association, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements which would be required to be reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of East Daviess County Water Association, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of federal award programs is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for East Daviess County Water Association, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was:

21.027 Coronavirus State and Local Fiscal Recovery Funds
8. The threshold used for distinguishing Type A and B programs was \$750,000.
9. The Organization was determined to not be a low-risk auditee.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

EAST DAVIESS COUNTY WATER ASSOCIATION, INC.
Schedule of Prior Year Audit Findings
Year Ended December 31, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001 Significant Deficiency:

Segregation of Duties

Condition: The small size of the Association's bookkeeping staff limits the extent of the separation of duties. Presently, the Association's bookkeeper's responsibilities include cash disbursements functions, billing, preparing the bank reconciliations and accounting functions. There has been significant improvement in the segregation of duties regarding the cash receipts function. However, the segregation of duties, which is the basic premise of a good internal control structure, is not adequate.

Recommendation: Procedures should be implemented that require a greater segregation of duties involving cash receipts and disbursements.

Current Status: Resolved. After a review of the Association's processes and procedures for cash receipts and disbursements, it appears duties are segregated to the best of the Association's ability.

2023-002 Significant Deficiency:

Internal Control Over Financial Disclosures

Condition: The Association does not have defined monitoring controls in place to identify and assess disclosures in the financial statements.

Recommendation: Personnel should receive training in order to update the financial statements disclosures.

Current Status: Resolved. The Association has a non-attest service with the external auditor to assist with the preparation of the financial statement disclosures. The Association assumes responsibility for the non-attest service and performs a thorough review of the financial statement disclosures before issuance of the financial statements.

FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

NA.