

JESSAMINE – SOUTH ELKHORN WATER DISTRICT  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2024

*BESTEN & DIERUF, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

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**JESSAMINE-SOUTH ELKHORN WATER DISTRICT**  
**Water and Sewer Divisions**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis (MD&A) offers the readers of the Jessamine-South Elkhorn Water District's financial statements this narrative overview and analysis of the financial activities of the Jessamine-South Elkhorn Water District for the year ended December 31, 2024.

Jessamine-South Elkhorn Water District (hereafter described as "the District") was established in 1970 under KRS chapter 74 for the purpose of furnishing water service in Jessamine County. In August 1995, the District formed the sewer division to provide collection services for residents of Jessamine County.

The District consisting of Jessamine-South Elkhorn Water District, Water Division and Jessamine-South Elkhorn Water District, Sewer Division, has been consolidated for reporting purposes. The entities share the same Board of Commissioners, central offices, and employees.

The District is a special district formed for the express purpose of providing water service within the confines of Jessamine County, Kentucky. The Jessamine County Fiscal Court appoints an independent Board of Commissioners to govern the District. The District operates as an independent entity in that it is legally separate; holds corporate powers of organization; the Fiscal Court does not impose their will upon the District; and the District does not impose financial benefit or burden upon the Fiscal Court. The primary source of revenue for the District is provided by the resale and transmission of city water to local and remote areas of Jessamine County. The District also has assumed the responsibility of providing sanitary sewer transmission to remote areas of the county.

**Highlights**

- The District's assets exceeded its liabilities by \$20,142,263 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$17,890,919.
- Total net position is comprised of the following:
  - Unrestricted funds represent the portion available to maintain the District's continuing obligations to the citizens and creditors.
- The District's funds reported a total ending fund balance of \$20,142,263 this year. This compares to the prior year ending fund balance of \$17,890,919 showing an increase of \$2,251,344 during the current year.
- At the end of the current fiscal year, unrestricted fund balance for the District was \$3,587,997 or 76% of the total District expenditures and 69% of total operating revenues.
- The liabilities for the District in the current year were \$6,288,540. Prior year liabilities were \$6,732,938.
- Plant assets primarily include transmission lines for water and sewer, pump stations, holding tanks, pump vaults, a building, and vehicles.
- Revenues are provided by 3,298 water and 1,343 sewer customers.

**Overview of the Financial Statements**

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include proprietary (business-type) fund statements and notes to the financial statements. The first of these proprietary fund statements is the Statement of Net Position. This statement presents all of the District's assets and liabilities, with the difference reported as net position.

The second proprietary fund statement is the Statement of Revenues, Expenses and Changes in Net Position which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The third proprietary fund statement is the Statement of Cash Flows which reports cash amounts received and expended for operations, financing and investment in capital assets, and investing.

Proprietary financial statements show the business-type activities that are intended to recover all or a significant portion of their costs through its activities. The District's business-type activities include development of the sewer division and expansion of the water division to serve the citizens of Jessamine County.

The District uses internal funds to ensure and demonstrate compliance with finance-related laws and regulations. The District maintains a water fund and a sewer fund for financial reporting purposes.

The District uses the following cash accounts for the water and sewer divisions:

Revenue Fund -The District deposits cash revenues of the utilities system to disburse as prescribed by bond covenants.

Operations and Maintenance Fund -The District deposits amounts equal to the estimated current expense of operating, maintaining, and insuring the system for the next month. The amounts shall be determined pursuant to the annual budget adopted by the District Board and are to be made to meet the reasonable and necessary expenses.

Depreciation and Repairs and Maintenance Reserve Funds -The District deposits excess amounts from the Revenue Fund after provisions have been made for the prescribed deposits for the purpose of paying unusual or extraordinary maintenance repairs, renewals, and replacement during the life of the bond issues.

Debt Service and Bond and Interest Fund -The District maintains these funds to meet requirements in the bond agreements that sinking fund and reserve accounts be maintained for the purpose of paying debt obligations as they become due.

Construction Fund -This fund is used to construct additions, extensions, and improvements other than those of the Depreciation Fund. The District segregates bond proceeds that are restricted for use on capital projects in a separate account.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### **Financial Analysis of the Jessamine-South Elkhorn Water District as a Whole**

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end is \$20,142,263. This is an increase of \$2,251,344 from last year's net position of \$17,890,919. The following table provides a summary of the District's net position:

|                                                        | <b>Combined Activities</b> |                      | <b>Amount</b>        | <b>Percent</b>       |
|--------------------------------------------------------|----------------------------|----------------------|----------------------|----------------------|
|                                                        | <b><u>2024</u></b>         | <b><u>2023</u></b>   | <b><u>Change</u></b> | <b><u>Change</u></b> |
| <b>Assets</b>                                          |                            |                      |                      |                      |
| Current and Other Assets                               | \$ 3,775,293               | \$ 2,899,934         | \$ 875,359           | 30.19%               |
| Non-current Assets                                     | 739,336                    | 630,850              | 108,486              | 17.20%               |
| Capital Assets, Net                                    | <u>21,916,174</u>          | <u>21,093,073</u>    | <u>823,101</u>       | 3.90%                |
| <b>Total Assets</b>                                    | 26,430,803                 | 24,623,857           | 1,806,946            | 7.34%                |
| <b>Liabilities</b>                                     |                            |                      |                      |                      |
| Current and Other Liabilities                          | 185,492                    | 242,275              | (56,783)             | -23.44%              |
| Current Long-term Debt                                 | 737,215                    | 392,806              | 344,409              | 87.68%               |
| Non-current Long-term Debt                             | <u>5,365,833</u>           | <u>6,097,857</u>     | <u>(732,024)</u>     | -12.00%              |
| <b>Total Liabilities</b>                               | 6,288,540                  | 6,732,938            | (444,398)            | -6.60%               |
| <b>Net Position</b>                                    |                            |                      |                      |                      |
| Net Investment in Capital Assets                       | 15,814,930                 | 14,604,214           | 1,210,716            | 8.29%                |
| Restricted                                             | 488,490                    | 422,426              | 66,064               | 15.64%               |
| Unrestricted-Unreserved                                | 3,587,997                  | 2,655,855            | 932,142              | 35.10%               |
| Unrestricted-Board Designated<br>Depreciation Reserves | <u>250,846</u>             | <u>208,424</u>       | <u>42,422</u>        | 20.35%               |
| <b>TOTAL NET POSITION</b>                              | <u>\$ 20,142,263</u>       | <u>\$ 17,890,919</u> | <u>\$ 2,251,344</u>  | 12.58%               |

Because the District does not heavily depend on interest income for operations and does not have any funds invested in the stock market, the fluctuations in investment and market performance did not have a material effect.

Assets of the District have increased primarily due to increases in cash from operations while liabilities have decreased primarily from debt payment and no additions of debt.

Total revenues, exclusive of other income and capital income, during the current fiscal year increased \$375,888 from the revenues during the prior year.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net position:

|                                     | <b>Combined Activities</b> |                      | <b>Amount</b>        | <b>Percent</b>       |
|-------------------------------------|----------------------------|----------------------|----------------------|----------------------|
|                                     | <b><u>2024</u></b>         | <b><u>2023</u></b>   | <b><u>Change</u></b> | <b><u>Change</u></b> |
| General Revenues                    |                            |                      |                      |                      |
| Water and Sewer Sales               | \$ 5,013,545               | \$ 4,679,294         | \$ 334,251           | 7.14%                |
| Other Revenues                      | <u>167,458</u>             | <u>125,821</u>       | <u>41,637</u>        | 33.09%               |
| Total Revenues                      | 5,181,003                  | 4,805,115            | 375,888              | 7.82%                |
| Operating Expenses                  | <u>4,532,422</u>           | <u>4,118,424</u>     | <u>413,998</u>       | 10.05%               |
| Net Operating Income                | 648,581                    | 686,691              | (38,110)             | -5.55%               |
| Interest Income                     | 17,058                     | 11,492               | 5,566                | 48.43%               |
| Gain (loss) On Asset Disposal       | 13,000                     | -                    | 13,000               | -100.00%             |
| Other Expenses                      | <u>(218,568)</u>           | <u>(231,131)</u>     | <u>12,563</u>        | -5.44%               |
| (Loss) Before Capital Contributions | 460,071                    | 467,052              | (6,981)              | -1.49%               |
| Connection Fees & Construction      | 94,970                     | 11,028               | 83,942               | 761.17%              |
| Capital Contributions               | <u>1,696,303</u>           | <u>112,101</u>       | <u>1,584,202</u>     | 1413.19%             |
| Subtotal Capital Income             | 1,791,273                  | 123,129              | 1,668,144            | 1354.79%             |
| Change in Net Assets                | 2,251,344                  | 590,181              | 1,661,163            | 281.47%              |
| Net Assets Beginning of Year        | <u>17,890,919</u>          | <u>17,300,738</u>    | <u>590,181</u>       | 3.41%                |
| Net Assets End of Year              | <u>\$ 20,142,263</u>       | <u>\$ 17,890,919</u> | <u>\$ 2,251,344</u>  | 12.58%               |

As portrayed above and discussed earlier, the District is heavily reliant on revenues from sales of water and sewer services which provides 96.77% and 97.38% of the District's operating revenues in fiscal years 2024 and 2023, respectively.

### **Financial Analysis of the District's Funds**

#### **Proprietary (Enterprise) Funds**

The year-end total of net position for the combined funds was \$20,142,263. Of the year-end total, \$3,587,997 is unrestricted and available for operations, \$250,846 for board designated projects, \$488,490 restricted for either debt service or construction, and \$15,814,930 totals net investment in capital assets.

The total ending fund balances of the combined funds shows an increase of \$2,251,344 from the prior year.

#### **Budgetary Highlights**

The budget complied with financial policies approved by the Board of Commissioners and maintained the core District services.

Budgetary comparison statements are included in the additional supplementary information section of the financial statements for the water and sewer funds. These statements and schedules include cash flows designated to the reduction of debt and purchase and construction of assets. Actual results are shown for operations only.

### **Capital Asset and Long-Term Debt Administration**

Depreciation in the amount of \$958,199 was expensed on the Statement of Revenue, Expenses and Changes in Net Position. During the year, the District received connection fees for the construction of assets in the amount of \$94,970. Other financing of capital assets was provided by operating funds. During 2024, the District also received conveyed fixed assets totaling \$1,696,303. Net capital assets increased by \$823,101 during the year.

At the end of the year, the District had long-term debt consisting of bond issues, notes payable, and construction loans. During the current year the District did not draw any new loan funds. Repayment of \$385,812 in principal was made on debt. Interest paid during the year on long-term debt was \$202,204.

### **Economic Environment and Next Year's Budgets and Rates**

The general outlook for the District for the next year is for some growth in economic activity as a reflection of positive signs in the national economy. The District also expects a positive boost in economic activity as a spin-off of the continued growth of the Lexington economy. Jessamine County's close proximity enables us to capitalize on that activity.

The District's future goals are to provide drinking water to every household that wishes to have service in the designated territory. The District also intends to provide sewer service to areas of expansion with special attention to EPA problem zones that create health hazards to our customers.

The District will continue expansion of its operations to better serve the Jessamine County citizens with a reliable water source. The District replaced five miles of deteriorated and leaking gray pipe that was installed in the early 1970's. The construction of a 750,000-gallon elevated storage tank in the north end of Jessamine County was completed in 2017. The District replaced 4" water pipe main with 12" water pipe main on Highway 29 to better serve our customers. The District put in new 6" pipe to serve our customers on Cook Lane. The District has installed automatic read meters in all of active accounts.

The District purchases the majority of its water from the City of Nicholasville to better serve the residents of Jessamine County while maintaining affordable rates.

### **Contacting the Jessamine-South Elkhorn Water District's Financial Management**

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate Jessamine South Elkhorn Water District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District at the following address:

Jessamine-South Elkhorn Water District  
802 South Main Street  
Nicholasville, Kentucky 40356



## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Jessamine-South Elkhorn Water District  
Nicholasville, Kentucky

### **Opinion**

We have audited the accompanying financial statements of Jessamine-South Elkhorn Water District of the City of Nicholasville, Kentucky (the District), as of and for the year ended December 31, 2024, and the related notes to the 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 District, as of December 31, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note A, the financial statements present only the Jessamine-South Elkhorn Water District and do not purport to, and do not, present fairly the financial position of the City of Nicholasville, Kentucky, as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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.

### **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 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, 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise 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 March 3, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Lexington, Kentucky  
March 3, 2025

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2024

|                                               | Water<br>Division    | Sewer<br>Division   | Total<br>Activities  |
|-----------------------------------------------|----------------------|---------------------|----------------------|
| <b>ASSETS</b>                                 |                      |                     |                      |
| <b>Current Assets</b>                         |                      |                     |                      |
| Cash and cash equivalents                     | \$ 2,752,389         | \$ 816,727          | \$ 3,569,116         |
| Accounts receivable customers, net            | 67,391               | 95,986              | 163,377              |
| Other receivables                             | 9,235                | -                   | 9,235                |
| Due (to) from other funds                     | -                    | -                   | -                    |
| Prepaid expenses                              | 33,565               | -                   | 33,565               |
| Total Current Assets                          | <u>2,862,580</u>     | <u>912,713</u>      | <u>3,775,293</u>     |
| <b>Restricted and Designated Assets</b>       |                      |                     |                      |
| Cash and cash equivalents                     | 406,442              | 194,220             | 600,662              |
| Certificates of deposit                       | 138,674              | -                   | 138,674              |
| Total Restricted and Designated Assets        | <u>545,116</u>       | <u>194,220</u>      | <u>739,336</u>       |
| <b>Capital Assets</b>                         |                      |                     |                      |
| Property, plant and equipment                 | 23,944,252           | 12,581,629          | 36,525,881           |
| Less: accumulated depreciation                | (10,850,287)         | (3,912,809)         | (14,763,096)         |
| Construction in progress                      | 313                  | 153,076             | 153,389              |
| Total Capital Assets                          | <u>13,094,278</u>    | <u>8,821,896</u>    | <u>21,916,174</u>    |
| Total Assets                                  | <u>\$ 16,501,974</u> | <u>\$ 9,928,829</u> | <u>\$ 26,430,803</u> |
| <b>LIABILITIES AND NET POSITION</b>           |                      |                     |                      |
| <b>Current Liabilities</b>                    |                      |                     |                      |
| Accounts payable                              | \$ 3,729             | \$ 97,239           | \$ 100,968           |
| Accrued vacation                              | 12,731               | 5,152               | 17,883               |
| Taxes payable                                 | 10,468               | -                   | 10,468               |
| Accrued interest payable                      | 53,709               | 2,464               | 56,173               |
| Current portion of discount on bond refinance | 1,804                | -                   | 1,804                |
| Current portion of notes payable              | 599,311              | -                   | 599,311              |
| Current portion of bonds payable              | 131,000              | 5,100               | 136,100              |
| Total Current Liabilities                     | 812,752              | 109,955             | 922,707              |
| <b>Long-Term Liabilities</b>                  |                      |                     |                      |
| Discount on Bond refinance                    | 45,109               | -                   | 45,109               |
| Notes payable                                 | 2,604,624            | -                   | 2,604,624            |
| Bonds payable                                 | 2,533,500            | 182,600             | 2,716,100            |
| Total Long-Term Liabilities                   | <u>5,183,233</u>     | <u>182,600</u>      | <u>5,365,833</u>     |
| Total Liabilities                             | 5,995,985            | 292,555             | 6,288,540            |
| <b>Net Position</b>                           |                      |                     |                      |
| Net investment in capital assets              | 7,180,734            | 8,634,196           | 15,814,930           |
| Restricted for debt service                   | 46,478               | 72,776              | 119,254              |
| Restricted for capital projects               | -                    | 121,444             | 121,444              |
| Restricted for depreciation and maintenance   | 247,792              | -                   | 247,792              |
| Unrestricted - board designated               | 250,846              | -                   | 250,846              |
| Unrestricted                                  | 2,780,139            | 807,858             | 3,587,997            |
| Total Net Position                            | <u>10,505,989</u>    | <u>9,636,274</u>    | <u>20,142,263</u>    |
| Total Liabilities and Net Position            | <u>\$ 16,501,974</u> | <u>\$ 9,928,829</u> | <u>\$ 26,430,803</u> |

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2024

|                                             | Water<br>Division    | Sewer<br>Division   | Total<br>Activities  |
|---------------------------------------------|----------------------|---------------------|----------------------|
| OPERATING REVENUE                           |                      |                     |                      |
| Water sales                                 | \$ 3,192,835         | \$ -                | \$ 3,192,835         |
| Sewer sales                                 | -                    | 1,820,710           | 1,820,710            |
| Other revenue                               | 131,502              | 35,956              | 167,458              |
| Total Operating Revenue                     | <u>3,324,337</u>     | <u>1,856,666</u>    | <u>5,181,003</u>     |
| OPERATING EXPENSES                          |                      |                     |                      |
| Water purchases                             | 1,128,714            | -                   | 1,128,714            |
| Sewer usage                                 | -                    | 1,025,072           | 1,025,072            |
| Operation                                   | 392,819              | 158,442             | 551,261              |
| Maintenance                                 | 337,720              | 227,996             | 565,716              |
| General and administrative                  | 200,489              | 102,971             | 303,460              |
| Total Operating Expenses                    | <u>2,059,742</u>     | <u>1,514,481</u>    | <u>3,574,223</u>     |
| Operating Income (Loss) Before Depreciation | 1,264,595            | 342,185             | 1,606,780            |
| Depreciation expense                        | <u>(615,830)</u>     | <u>(342,369)</u>    | <u>(958,199)</u>     |
| OPERATING INCOME (LOSS)                     | 648,765              | (184)               | 648,581              |
| Non-operating income (expenses)             |                      |                     |                      |
| Gain (loss) on asset disposal               | -                    | 13,000              | 13,000               |
| Interest income                             | 13,670               | 3,388               | 17,058               |
| Interest expense                            | <u>(213,641)</u>     | <u>(4,927)</u>      | <u>(218,568)</u>     |
| Income (Loss) Before Capital Contributions  | <u>448,794</u>       | <u>11,277</u>       | <u>460,071</u>       |
| Capital Contributions                       |                      |                     |                      |
| Capital contributions                       | 389,386              | 1,306,917           | 1,696,303            |
| Tap fees, net                               | 11,080               | 83,890              | 94,970               |
| Total Capital Contributions                 | <u>400,466</u>       | <u>1,390,807</u>    | <u>1,791,273</u>     |
| Change in Net Position                      | 849,260              | 1,402,084           | 2,251,344            |
| Net Position, Beginning of year             | <u>9,656,729</u>     | <u>8,234,190</u>    | <u>17,890,919</u>    |
| Net Position, End of Year                   | <u>\$ 10,505,989</u> | <u>\$ 9,636,274</u> | <u>\$ 20,142,263</u> |

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2024

|                                                                                                  | Water<br>Division   | Sewer<br>Division   | Total<br>Activities |
|--------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                      |                     |                     |                     |
| Receipts from customers                                                                          | \$ 3,315,600        | \$ 1,814,040        | \$ 5,129,640        |
| Payments to suppliers                                                                            | (1,688,395)         | (1,415,235)         | (3,103,630)         |
| Payments for employee services and benefits                                                      | (417,199)           | (144,628)           | (561,827)           |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                                                         | <u>1,210,006</u>    | <u>254,177</u>      | <u>1,464,183</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                  |                     |                     |                     |
| Retirement of notes and bonds                                                                    | (380,812)           | (5,000)             | (385,812)           |
| Issuance of discount on bond refinance                                                           | (1,803)             | -                   | (1,803)             |
| Interest paid                                                                                    | (199,741)           | (2,463)             | (202,204)           |
| Customer contributions and tap fees                                                              | 400,466             | 1,390,807           | 1,791,273           |
| Cash received from sale of fixed assets                                                          | -                   | 13,000              | 13,000              |
| Purchase of capital assets                                                                       | (512,582)           | (1,268,718)         | (1,781,300)         |
| NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES                                     | <u>(694,472)</u>    | <u>127,626</u>      | <u>(566,846)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                      |                     |                     |                     |
| Invested in certificates of deposit                                                              | (1,744)             | -                   | (1,744)             |
| Interest income                                                                                  | 13,670              | 3,388               | 17,058              |
| NET CASH FLOWS FROM INVESTING ACTIVITIES                                                         | <u>11,926</u>       | <u>3,388</u>        | <u>15,314</u>       |
| NET CHANGE IN CASH                                                                               | 527,460             | 385,191             | 912,651             |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                                                     | <u>2,631,371</u>    | <u>625,756</u>      | <u>3,257,127</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR                                                           | <u>\$ 3,158,831</u> | <u>\$ 1,010,947</u> | <u>\$ 4,169,778</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>NET CASH FLOWS FROM OPERATING ACTIVITIES</b> |                     |                     |                     |
| Operating income (loss)                                                                          | \$ 648,765          | \$ (184)            | \$ 648,581          |
| Noncash items included in operating income:                                                      |                     |                     |                     |
| Depreciation                                                                                     | 615,830             | 342,369             | 958,199             |
| Changes in assets and liabilities:                                                               |                     |                     |                     |
| (Increase) decrease in accounts receivables                                                      | (2,322)             | (42,626)            | (44,948)            |
| (Increase) decrease in other receivables                                                         | (6,415)             | -                   | (6,415)             |
| (Increase) decrease in prepaid expenses                                                          | (18,087)            | -                   | (18,087)            |
| Increase (decrease) in accounts payable                                                          | (19,535)            | (12,617)            | (32,152)            |
| Increase (decrease) in accrued vacation                                                          | 497                 | 652                 | 1,149               |
| Increase (decrease) in taxes payable                                                             | (6,852)             | -                   | (6,852)             |
| Increase (decrease) in other accrued liabilities                                                 | (1,875)             | (33,417)            | (35,292)            |
| Increase (decrease) in deferred revenue                                                          | -                   | -                   | -                   |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                                                         | <u>\$ 1,210,006</u> | <u>\$ 254,177</u>   | <u>\$ 1,464,183</u> |
| <b>Supplemental Disclosure of Non-Cash Transactions</b>                                          |                     |                     |                     |
| Contributed capital                                                                              | <u>\$ 389,386</u>   | <u>\$ 1,306,917</u> | <u>\$ 1,696,303</u> |
| Conversion of construction in process to fixed assets                                            | <u>\$ 20,529</u>    | <u>\$ 120,210</u>   | <u>\$ 140,739</u>   |
| <b>Cash and cash equivalents consist of the following:</b>                                       |                     |                     |                     |
| Unrestricted cash and cash equivalents                                                           | \$ 2,752,389        | \$ 816,727          | \$ 3,569,116        |
| Restricted cash and cash equivalents                                                             | <u>406,442</u>      | <u>194,220</u>      | <u>600,662</u>      |
| TOTAL CASH AND CASH EQUIVALENTS                                                                  | <u>\$ 3,158,831</u> | <u>\$ 1,010,947</u> | <u>\$ 4,169,778</u> |

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION AND ACCOUNTING POLICIES

The Jessamine-South Elkhorn Water District, Water and Sewer Divisions (the District) is a special district formed for the express purpose of providing water and sewer service within the confines of Jessamine County, Kentucky. The District operates as an independent entity in that it is legally separate and holds corporate powers of organization.

Reporting Entity

The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The District consists of the Jessamine-South Elkhorn Water District Water Division, and the Jessamine-South Elkhorn Water District Sewer Division. The District has oversight responsibility for no other organization.

Basis of Accounting

The net position of the District is classified into three categories; net investment in capital assets, restricted and unrestricted. The restricted net assets consist of reserves for bond retirement and depreciation costs relating to the construction, replacement, extension, additions and/or improvements to the system in addition to customer deposits.

When both restricted and unrestricted resources are available for use, the District's Board of Commissioners makes a determination as to which resource should be used first.

The accrual basis of accounting is utilized by the District. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

The District reports all revenues and expenses as operating except interest income, interest expense, gains and losses on disposal of assets, and capital contributions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District defines cash as cash on hand, cash in bank, money market funds in both unrestricted and restricted accounts, and certificates of deposit with an initial maturity of less than 90 days.

Accounts Receivable

The District's accounts receivable reserve represents its estimate of all uncollectible accounts. The reserve for the year ended December 31, 2024 totaled \$4,640.

Property and Equipment

Fixed assets of the District are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Plant and lines are capitalized with lives ranging from 5-65 years and furniture and equipment are capitalized with lives ranging from 5-10 years. Capital assets and the depreciation expense on capital assets purchased before the addition of the sewer division are presented as water division assets. Land and land rights are not subject to depreciation. Interest costs during construction of fixed assets are capitalized as a part of the cost.

Interfund Transfers

The asset "due from other funds" represents amounts transferred between funds that are owed for operating and non-operating expenses. These amounts are not expected to be paid within one year.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION AND ACCOUNTING POLICIES - continued

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 period. Actual results could differ from those estimates.

Leased Assets and Liabilities

The District follows GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for lease that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Capital Contributions

Capital contributions include the amounts paid by state and local governments that arise from contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Date of Management's Review

The District has evaluated and considered the need to recognize or disclose subsequent events through March 3, 2025, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2024, have not been evaluated by the District.

NOTE B - CASH AND INVESTMENTS

Kentucky Revised Statutes authorize local governmental units to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state-chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States Government or its agencies.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest. The District's deposits and investments at December 31, 2024 were entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy will attempt to match its investments with anticipated cash flow requirements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS - continued

The table presented below is designed to disclose the level of custody credit risk assumed by the District, based upon how its deposits were insured or secured with collateral at December 31, 2024. The categories of credit risk are defined as follows:

- 1) Insured or registered, or securities held by the District or its agent in the District's name.
- 2) Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the District's name.
- 3) Uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the District's name.

|                           | <u>Category 1</u>  | <u>Category 2</u> | <u>Category 3</u> | <u>Total Bank Amount</u> | <u>Total Carrying Amount</u> |
|---------------------------|--------------------|-------------------|-------------------|--------------------------|------------------------------|
| Cash and cash equivalents | \$4,178,974        | \$ -              | \$ -              | \$ 4,178,974             | \$ 4,169,778                 |
| Certificates of deposit   | -                  | 138,674           | -                 | 138,674                  | 138,674                      |
|                           | <u>\$4,178,974</u> | <u>\$ 138,674</u> | <u>\$ -</u>       | <u>\$ 4,317,648</u>      | <u>\$ 4,308,452</u>          |

The following presents the cash and certificate of deposit balances as shown on the statement of net position at December 31, 2024:

|                                   | <u>Board</u>        |                   |                   | <u>Total</u>        |
|-----------------------------------|---------------------|-------------------|-------------------|---------------------|
|                                   | <u>Unrestricted</u> | <u>Designated</u> | <u>Restricted</u> |                     |
| Revenue fund                      | \$ 1,664,920        | \$ 5,727          | \$ -              | \$ 1,670,647        |
| Operation and maintenance fund    | 321,513             | -                 | -                 | 321,513             |
| Bond and interest fund-water      | -                   | -                 | 46,478            | 46,478              |
| Depreciation and maintenance fund | -                   | -                 | 247,792           | 247,792             |
| Construction fund-water           | <u>765,956</u>      | <u>245,119</u>    | <u>-</u>          | <u>1,011,075</u>    |
| Water total                       | <u>2,752,389</u>    | <u>250,846</u>    | <u>294,270</u>    | <u>3,297,505</u>    |
| Construction fund-sewer           | -                   | -                 | 121,444           | 121,444             |
| Debt service reserve-sewer        | -                   | -                 | 72,776            | 72,776              |
| Sewer accounts                    | <u>816,727</u>      | <u>-</u>          | <u>-</u>          | <u>816,727</u>      |
| Sewer total                       | <u>816,727</u>      | <u>-</u>          | <u>194,220</u>    | <u>1,010,947</u>    |
| Total                             | <u>\$ 3,569,116</u> | <u>\$ 250,846</u> | <u>\$ 488,490</u> | <u>\$ 4,308,452</u> |

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

The following is a summary of capital asset activity during the year:

|                                   | Balance<br><u>12/31/2023</u> | <u>Additions</u>  | <u>Disposals</u>    | Balance<br><u>12/31/2024</u> |
|-----------------------------------|------------------------------|-------------------|---------------------|------------------------------|
| Capital assets not depreciated:   |                              |                   |                     |                              |
| Construction in progress - water  | \$ 20,529                    | \$ 313            | \$ (20,529)         | \$ 313                       |
| Construction in progress - sewer  | <u>120,210</u>               | <u>153,076</u>    | <u>(120,210)</u>    | <u>153,076</u>               |
| Total not depreciated             | 140,739                      | 153,389           | (140,739)           | 153,389                      |
| Capital assets being depreciated: |                              |                   |                     |                              |
| Utility plant/distribution system | 20,477,912                   | 462,754           | -                   | 20,940,666                   |
| Sewer collection                  | 11,271,571                   | 1,158,085         | -                   | 12,429,656                   |
| Building                          | 457,697                      | -                 | -                   | 457,697                      |
| Operating equipment and furniture | 21,901                       | -                 | -                   | 21,901                       |
| Meters - water                    | 1,097,060                    | 21,677            | -                   | 1,118,737                    |
| Services - water                  | 989,594                      | -                 | -                   | 989,594                      |
| Extensions - water                | 284,254                      | -                 | -                   | 284,254                      |
| Transportation - water            | 32,916                       | 48,366            | -                   | 81,282                       |
| Transportation - sewer            | 24,410                       | 49,351            | (24,410)            | 49,351                       |
| Equipment- sewer                  | 73,174                       | 28,417            | -                   | 101,591                      |
| Communication - water             | 50,121                       | -                 | -                   | 50,121                       |
| Communication - sewer             | <u>1,031</u>                 | <u>-</u>          | <u>-</u>            | <u>1,031</u>                 |
| Total depreciable                 | 34,781,641                   | 1,768,650         | (24,410)            | 36,525,881                   |
| Accumulated depreciation          |                              |                   |                     |                              |
| Accumulated depreciation - water  | (10,234,457)                 | (615,830)         | -                   | (10,850,287)                 |
| Accumulated depreciation - sewer  | <u>(3,594,850)</u>           | <u>(342,369)</u>  | <u>24,410</u>       | <u>(3,912,809)</u>           |
| Total accumulated depreciation    | <u>(13,829,307)</u>          | <u>(958,199)</u>  | <u>24,410</u>       | <u>(14,763,096)</u>          |
| Net depreciable assets            | <u>20,952,334</u>            | <u>810,451</u>    | <u>-</u>            | <u>21,762,785</u>            |
| Total capital assets, net         | <u>\$ 21,093,073</u>         | <u>\$ 963,840</u> | <u>\$ (140,739)</u> | <u>\$ 21,916,174</u>         |

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG TERM DEBT

The following is a summary of the bonds outstanding for the District for the year ended December 31, 2024:

|                                                                                                                                                               |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Series 2000B Revenue Bonds, annual principal and interest payments at 5.125% through January 2039.                                                            | \$ 249,500          |
| Series 2009A Revenue Bonds, annual principal and semi-annual interest payments at 2.625% through January 2050.                                                | 187,700             |
| Series 2008A, 2008B and 2012C Revenue Bonds refinance, annual principal and semi-annual interest payments at an interest rate of 2.47% through December 2050. | 2,145,000           |
| Series 2016D Revenue Bonds, annual principal and semi-annual interest payments at a variable interest rate between 3.60% and 5.10% through January 2031.      | <u>270,000</u>      |
| Total                                                                                                                                                         | 2,852,200           |
| Less: current portion                                                                                                                                         | <u>(136,100)</u>    |
| Long-term portion                                                                                                                                             | <u>\$ 2,716,100</u> |

The following is a summary of the notes outstanding for the District for the year ended December 31, 2024:

|                                                                                                                                                                                                                                                        |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Central Bank note payable, monthly payments of \$6,570 including principal and interest at 4% through maturity in September 2024, with a final balloon payment for the remaining balance due at maturity.                                              | \$ -                |
| Central Bank note payable, monthly payments of \$2,462 including principal and interest at 4% through maturity in September 2024, with a final balloon payment for the remaining balance due at maturity, secured by the District's office facilities. | -                   |
| Line of credit with Farmers Bank commencing December 16, 2024 and maturing June 20, 2025, with interest at 3.5%, secured by the District's office facilities.                                                                                          | 362,068             |
| 2007 Kentucky Infrastructure Authority Revolving Loan F07-02, semi-annual principal and interest payments at 3% through 2033.                                                                                                                          | 870,087             |
| 2013 Kentucky Infrastructure Authority Revolving Loan F11-12, semi-annual principal and interest payments at 3% through 2036.                                                                                                                          | <u>1,971,780</u>    |
| Total                                                                                                                                                                                                                                                  | 3,203,935           |
| Less: current portion                                                                                                                                                                                                                                  | <u>(599,311)</u>    |
| Long-term portion                                                                                                                                                                                                                                      | <u>\$ 2,604,624</u> |

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG TERM DEBT - continued

The annual requirements to amortize all bonds outstanding as of December 31, 2024 are as follows:

|           | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-----------|---------------------|-------------------|---------------------|
| 2025      | 136,100             | 100,424           | 236,524             |
| 2026      | 137,300             | 93,653            | 230,953             |
| 2027      | 142,900             | 86,702            | 229,602             |
| 2028      | 153,600             | 79,533            | 233,133             |
| 2029      | 159,700             | 71,967            | 231,667             |
| 2030-2034 | 761,300             | 259,895           | 1,021,195           |
| 2035-2039 | 791,600             | 148,931           | 940,531             |
| 2040-2044 | 235,000             | 70,126            | 305,126             |
| 2045-2049 | 275,500             | 34,093            | 309,593             |
| 2050      | 59,200              | 1,921             | 61,121              |
| Total     | <u>\$ 2,852,200</u> | <u>\$ 947,245</u> | <u>\$ 3,799,445</u> |

The annual requirements to amortize all notes payable outstanding as of December 31, 2024 are as follows:

|           | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-----------|---------------------|-------------------|---------------------|
| 2025      | \$ 599,311          | \$ 83,490         | \$ 682,801          |
| 2026      | 244,414             | 76,319            | 320,733             |
| 2027      | 251,801             | 68,931            | 320,732             |
| 2028      | 259,412             | 61,321            | 320,733             |
| 2029      | 267,253             | 53,480            | 320,733             |
| 2030-2034 | 1,284,693           | 143,881           | 1,428,574           |
| 2035-2039 | 297,051             | 8,956             | 306,007             |
| Total     | <u>\$ 3,203,935</u> | <u>\$ 496,378</u> | <u>\$ 3,700,313</u> |

The following is a summary of changes in long-term debt:

|               | Balance<br><u>12/31/2023</u> | <u>Additions</u>  | <u>Retirements</u>  | Balance<br><u>12/31/2024</u> | Due Within<br><u>One Year</u> |
|---------------|------------------------------|-------------------|---------------------|------------------------------|-------------------------------|
| Bonds payable | \$2,978,200                  | \$ -              | \$ (126,000)        | \$ 2,852,200                 | \$ 136,100                    |
| Notes payable | <u>3,463,747</u>             | <u>362,068</u>    | <u>(621,880)</u>    | <u>3,203,935</u>             | <u>599,311</u>                |
| Total Debt    | <u>\$6,441,947</u>           | <u>\$ 362,068</u> | <u>\$ (747,880)</u> | <u>\$ 6,056,135</u>          | <u>\$ 735,411</u>             |

NOTE E - COMPLIANCE WITH BOND RESOLUTION

The bond resolution requires the District to maintain certain reserves as follows:

Utilities Revenue Fund -The District agrees to deposit, therein promptly as received from time to time, all cash revenues of the utilities system, and to disburse from there in the manner and order of priorities as described in the following paragraphs.

Bond Fund Principal and Interest Sinking Fund -The District deposits each month an amount equal to one sixth (1/6) of the amount of interest becoming due on all bonds outstanding with Kentucky Rural Water Finance Corporation on the next ensuing semiannual interest payment date, plus one twelfth (1/12) of the amount of principal of the bonds outstanding which are maturing on the next ensuing annual principal payment date. As of December 31, 2024, the balance in this account exceeded the required amount.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE E - COMPLIANCE WITH BOND RESOLUTION - continued

Debt Service Reserve Account -The 2000 Bond Agreement calls for monthly reserve accumulations of \$1,190 and the 2008/9 Bond Agreement calls for monthly reserve accumulations of \$995. The District is to maintain a balance equal to the lesser of (1) the maximum amount of principal and interest which will become due and payable on all bonds in any period of twelve months ending January 1, (2) 125% of the average annual amount of principal and interest due on all bonds, or (3) 10% of the proceeds of the bonds. As of December 31, 2024, the accounts that comprise the Debt Service Reserve Account-Water and Debt Service Reserve Account-Sewer exceeded the required amounts.

Operation and Maintenance Fund -The District shall deposit an amount equal to the estimated current expense of operating, maintaining, and insuring the system for the next month. The amounts shall be determined, pursuant to the annual budget adopted by the District Board and are made to meet reasonable and necessary expenses. As of December 31, 2024, the total balance of the funds that comprise the Operation and Maintenance Fund exceeded the required amount.

Depreciation Fund -The District shall deposit amounts from the Revenue Fund after provisions have first been made for the prescribed deposits into the Bond Fund principal and interest accounts and the Operation and Maintenance Fund, until reaching a balance of \$12,000 to comply with covenants of the bonds issued. This fund is for the purpose of paying unusual or extraordinary maintenance repairs, renewals and replacement. As of December 31, 2024, \$15,817 has been accumulated, exceeding the required amount.

Construction Fund -This fund is used to construct additions, extensions, and improvements other than those of the Depreciation Fund. Bond covenants require funds received during bond sales for construction purposes be segregated and spent for that purpose only. As of December 31, 2024, the District had no restricted funds from bond sales related to ongoing construction projects.

Repair and Maintenance Reserve Fund -This fund is used to hold funds in reserve so that they may be spent on the repair and maintenance of the projects constructed with debt from the Kentucky Infrastructure Authority. The debt agreements call for an annual allocation to the reserve until a set limit has been reached. As of December 31, 2024, \$231,975 has been accumulated, exceeding the required amount.

NOTE F - RETIREMENT PLAN

The District offers employees the option to participate in a Simplified Employee Pension Individual Retirement Account (SEP IRA) after completing three years of employment. The District contributes 6% of eligible employees' salary to the SEP IRA annually. For the year ended December 31, 2024, the District contributed \$20,599 toward the employee retirement program.

NOTE G - ACCRUED COMPENSATION

It is the District's policy to permit employees to accumulate earned but unused vacation leave and sick pay benefits. The policy of the District is to not accrue the cost of vacation or sick leave as unpaid compensated absences because they are not materially significant.

Vacation days are accrued at a rate of 5 days per year for the first year, 10 days up to five years, and 15 days from year six and beyond. Unused days may be carried over but shall not exceed twenty days entering into a new calendar year.

Sick days are earned by employees at a rate of one day for every month of employment and may accumulate no more than seventy-five days.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE H - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## SUPPLEMENTAL INFORMATION

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET - WATER DIVISION  
FOR THE YEAR ENDED DECEMBER 31, 2024

|                                             | Original<br>Budget  | Amended<br>Budget   | Actual            | Variance            |
|---------------------------------------------|---------------------|---------------------|-------------------|---------------------|
| OPERATING REVENUE                           |                     |                     |                   |                     |
| Water sales                                 | \$ 3,258,427        | \$ 3,258,427        | \$ 3,192,835      | \$ (65,592)         |
| Other revenue                               | 132,071             | 132,071             | 131,502           | (569)               |
| Total Operating Revenue                     | <u>3,390,498</u>    | <u>3,390,498</u>    | <u>3,324,337</u>  | <u>(66,161)</u>     |
| OPERATING EXPENSES                          |                     |                     |                   |                     |
| Water purchases                             | 1,043,108           | 1,043,108           | 1,128,714         | 85,606              |
| Operation                                   | 297,844             | 297,844             | 392,819           | 94,975              |
| Maintenance                                 | 396,245             | 396,245             | 337,720           | (58,525)            |
| General and administrative                  | 186,858             | 186,858             | 200,489           | 13,631              |
| Total Operating Expenses                    | <u>1,924,055</u>    | <u>1,924,055</u>    | <u>2,059,742</u>  | <u>135,687</u>      |
| Operating Income (Loss) Before Depreciation | 1,466,443           | 1,466,443           | 1,264,595         | (201,848)           |
| Depreciation expense                        | <u>-</u>            | <u>-</u>            | <u>(615,830)</u>  | <u>(615,830)</u>    |
| OPERATING INCOME (LOSS)                     | 1,466,443           | 1,466,443           | 648,765           | (817,678)           |
| Non-Operating Income (Expense)              |                     |                     |                   |                     |
| Gain (loss) on asset disposal               | -                   | -                   | -                 | -                   |
| Interest income                             | 9,801               | 9,801               | 13,670            | 3,869               |
| Interest expense                            | (201,238)           | (201,238)           | (213,641)         | (12,403)            |
| Total Non-Operating Income (Expense)        | <u>(191,437)</u>    | <u>(191,437)</u>    | <u>(199,971)</u>  | <u>(8,534)</u>      |
| Income (Loss) Before Capital Contributions  | <u>1,275,006</u>    | <u>1,275,006</u>    | <u>448,794</u>    | <u>(826,212)</u>    |
| Capital Contributions                       |                     |                     |                   |                     |
| Capital contributions                       | -                   | -                   | 389,386           | 389,386             |
| Tap fees                                    | -                   | -                   | 11,080            | 11,080              |
| Change in Net Position                      | <u>\$ 1,275,006</u> | <u>\$ 1,275,006</u> | <u>\$ 849,260</u> | <u>\$ (425,746)</u> |

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET - SEWER DIVISION  
FOR THE YEAR ENDED DECEMBER 31, 2024

|                                             | Original<br>Budget | Amended<br>Budget | Actual              | Variance          |
|---------------------------------------------|--------------------|-------------------|---------------------|-------------------|
| OPERATING REVENUE                           |                    |                   |                     |                   |
| Sewer sales                                 | \$ 1,536,199       | \$ 1,536,199      | \$ 1,820,710        | \$ 284,511        |
| Other revenue                               | 140,415            | 140,415           | 35,956              | (104,459)         |
| Total Operating Revenue                     | <u>1,676,614</u>   | <u>1,676,614</u>  | <u>1,856,666</u>    | <u>180,052</u>    |
| OPERATING EXPENSES                          |                    |                   |                     |                   |
| Sewer usage                                 | 803,928            | 803,928           | 1,025,072           | 221,144           |
| Operation                                   | 183,774            | 183,774           | 158,442             | (25,332)          |
| Maintenance                                 | 139,550            | 139,550           | 227,996             | 88,446            |
| General and administrative                  | 94,455             | 94,455            | 102,971             | 8,516             |
| Total Operating Expenses                    | <u>1,221,707</u>   | <u>1,221,707</u>  | <u>1,514,481</u>    | <u>292,774</u>    |
| Operating Income (Loss) Before Depreciation | 454,907            | 454,907           | 342,185             | (112,722)         |
| Depreciation expense                        | <u>-</u>           | <u>-</u>          | <u>(342,369)</u>    | <u>(342,369)</u>  |
| OPERATING INCOME (LOSS)                     | 454,907            | 454,907           | (184)               | (455,091)         |
| Non-Operating Income (Expense)              |                    |                   |                     |                   |
| Gain (loss) on asset disposal               | -                  | -                 | 13,000              | 13,000            |
| Interest income                             | 1,155              | 1,155             | 3,388               | 2,233             |
| Interest expense                            | <u>(5,054)</u>     | <u>(5,054)</u>    | <u>(4,927)</u>      | <u>127</u>        |
| Total Non-Operating Income (Expense)        | <u>(3,899)</u>     | <u>(3,899)</u>    | <u>11,461</u>       | <u>15,360</u>     |
| Income (Loss) Before Capital Contributions  | <u>451,008</u>     | <u>451,008</u>    | <u>11,277</u>       | <u>(439,731)</u>  |
| Capital Contributions                       |                    |                   |                     |                   |
| Capital contributions                       | -                  | -                 | 1,306,917           | 1,306,917         |
| Tap fees, net                               | <u>-</u>           | <u>-</u>          | <u>83,890</u>       | <u>83,890</u>     |
| Change in Net Position                      | <u>\$ 451,008</u>  | <u>\$ 451,008</u> | <u>\$ 1,402,084</u> | <u>\$ 951,076</u> |

See Independent Auditors' Report and Notes to Financial Statements.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Jessamine-South Elkhorn Water District

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 Jessamine-South Elkhorn Water District of the City of Nicholasville, Kentucky, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2025.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.



Lexington, Kentucky  
March 3, 2025

JESSAMINE-SOUTH ELKHORN WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2024

**FINDINGS:**

**None.**