CHRISTIAN COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2025 AND 2024

CHRISTIAN COUNTY WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Christian County Water District
Hopkinsville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Christian County Water District (the District) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Christian County Water District as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Christian County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Christian County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Christian County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Christian County Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and post-employment benefit schedules as listed in the table of contents 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Christian County Water District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles* and *Audit Requirements for Federal Awards*, is presented for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2026, on our consideration of Christian County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely 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 Christian County Water District's internal control over financial reporting and compliance.

DGA, PSC

DGA, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 8, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

The management of Christian County Water District offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year ended December 31, 2025. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statements provided in this document.

FINANCIAL HIGHLIGHTS

- The District's net position increased by $1.48M or 12.20% from $12.10M to $13.6M when compared to the previous year.
- Operating revenues increased by $186K or 4.42% from $4.2M to $4.4M when compared to the previous year.
- Operating expenses (excluding depreciation) increased by $328K or 11.27% from $2.9M to $3.2M when compared to the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: (1) basic financial statements and (2) notes to basic financial statements. The basic financial statements and notes to these statements reflect the accounts and activities of the District.

Required Financial Statements

The financial statements of the District report information utilizing the full accrual basis of accounting. This method of accounting recognizes revenues when earned instead of when received and recognizes expenses when incurred rather than when paid. The financial statements conform to accounting principles, which are generally accepted in the United States of America.

Statement of Net Position

The Statement of Net Position includes information on the District's assets and deferred outflows and the District's liabilities and deferred inflows with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes in Net Position presents the results of the District's operations over the course of the operating cycle. This statement can be used to determine whether the District has successfully recovered all of its actual costs including depreciation through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the time of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and delayed payment of current year expenses.

Statement of Cash Flows

The Statement of Cash Flows provides information on the District's cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash balance for the operating cycle.

Financial Analysis of the Year Ended December 31, 2025

Over the past year, total assets and deferred outflows of the District increased by $914K while total liabilities and deferred inflows decreased by $600K. For the current period, the operating income of the District totaled $432K.

Condensed Statements of Net Position

The Statement of Net Position, shown in tabular format below, represents information on all of the District's assets and deferred outflows and the District's liabilities and deferred inflows with the difference between them reported as net position. The District's total net position increased in the current year by $1.48M or 12.20%.

Our analysis that follows focuses on the District's net position (shown in Table 1) and the changes in components of net position (shown in Table 2) during the year.

Analysis of Net Position

To better understand the District's actual financial positions and its ability to deliver services in future periods, the reader will need to review the various components of the net position category and obtain an understanding of how each related specifically to the business activities that we perform. For example, $11.3M or 83.42% of net position represents investment in capital assets, which is the lifeblood to the provision of water services. Another portion of net position, $1.2M or 9.17%, represents funds set aside for payment of debt.

TABLE 1
Condensed Statements of Net Position

			Change in FY 2024 to FY 2025	
	2025	2024	Amount	Percent
ASSETS				
Current and other assets	$ 6,249,070	$ 6,174,721	$ 74,349	1.20%
Capital assets, net	15,701,959	14,870,976	830,983	5.59%
Total assets	21,951,029	21,045,697	905,332	4.30%
Deferred outflows of resources	347,989	339,651	8,338	2.45%
LIABILITIES				
Long-term debt	7,243,507	7,762,431	(518,924)	-6.69%
Current and other liabilities	1,021,488	908,342	113,146	12.46%
Total liabilities	8,264,995	8,670,773	(405,778)	-4.68%
Deferred inflows of resources	454,555	648,425	(193,870)	-29.90%
NET POSITION				
Net investment in capital assets	11,328,529	10,035,745	1,292,784	12.88%
Restricted	1,245,411	1,430,891	(185,480)	-12.96%
Unrestricted	1,005,528	636,750	368,778	57.92%
Total net position	$ 13,579,468	$ 12,103,386	$ 1,476,082	12.20%

TABLE 2
Components of Net Position

	2025	2024	Change in FY 2024 to FY 2025 Amount	Percent
Net investment in capital assets	$ 11,328,529	$ 10,035,745	$ 1,292,784	12.88%
Restricted for debt service	1,245,411	1,430,891	(185,480)	-12.96%
Unrestricted	1,005,528	636,750	368,778	57.92%
	$ 13,579,468	$ 12,103,386	$ 1,476,082	12.20%

For the year ended December 31, 2025, *Net Position Invested in Capital Assets, Net of Related Debt* increased by $1.29M or 12.88% compared to the previous year. The amount of this category is calculated by taking the depreciated value of our capital assets, subtracting the associated bond debt and adding depreciation and construction funds.

In comparing the total amount to the prior year's balance of *Net Position Restricted for Debt Service*, there was a decrease of $185K or 12.96%.

Compared to the previous year's balance, there was an increase in *Unrestricted Net Position* of $369K or 57.92%. Various factors were involved in this increase, including management's desire to cushion against fluctuations where funding sources become limited.

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Analysis of Current Assets

The textbook definition of "current assets" is balance sheet items which equal the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expense and other assets that could be converted to cash in less than one year. Current assets are important to any financial analysis because it is from current assets that a business funds its ongoing, day-to-day operations. A comparison of the December 31, 2025 and 2024 balances by asset classification is shown in the table below.

TABLE 3
Comparison of Current Assets

			Change in FY 2024 to FY 2025	
	2025	2024	Amount	Percent
Cash and cash equivalents	$1,823,975	$1,412,083	$ 411,892	29.17%
Accounts receivable, net of allowance for doubtful accounts	285,692	227,060	58,632	25.82%
Grants receivable	-	189,356	(189,356)	-100.00%
Unbilled revenues	250,485	223,244	27,241	-12.20%
Inventory	338,160	338,182	(22)	-0.01%
Prepaid expenses	21,156	11,608	9,548	82.25%
	$2,719,468	$2,401,533	$ 317,935	13.24%

Analysis of Noncurrent Assets

Noncurrent assets represent assets that are not reasonably expected to be realized in cash or sold or consumed during the next fiscal year. When making the distinction between whether an asset should be considered current or noncurrent, liquidity or nearness to cash is not the proper basis for determining the classification. In making this determination, any encumbrances on the use of the asset must be considered. Thus, cash investments intended for liquidation or liabilities due beyond the one-year period are noncurrent assets, as well as assets segregated or restricted for the liquidation of long-term debts (including amounts due within the next operating cycle). Assets designated to be used to acquire, construct or improve capital assets would also be noncurrent. In the following table, the Noncurrent Assets of the District at December 31, 2025 and 2024 are compared to major classification. As indicated by the tabular information below, total noncurrent assets decreased by $230K or 6.34% compared to the previous year.

TABLE 4
Comparison of Noncurrent Assets

			Change in FY 2024 to FY 2025	
	2025	2024	Amount	Percent
Cash - customers' deposits	$ 90,333	$ 84,697	$ 5,636	6.65%
Cash - bond and interest redemption	1,245,411	1,139,808	105,603	9.26%
Cash - depreciation reserve	1,000,031	1,162,804	(162,773)	-14.00%
Cash - bond reserve	-	291,083	(291,083)	-100.00%
Cash - construction funds	45,710	43,534	2,176	5.00%
Investments - depreciation reserve	1,022,008	912,057	109,951	12.06%
	$3,403,493	$3,633,983	$ (230,490)	-6.34%

Analysis of Liabilities

In financial accounting, the term "liability" is defined as an obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future. To put it in more simplistic terms, this section analyzes the various claims that creditors have against the District's assets.

TABLE 5
Comparison of Current Liabilities from Unrestricted Net Position

			Change in FY 2024 to FY 2025	
	2025	2024	Amount	Percent
Accounts payable and accrued expenses	$ 315,226	$ 222,458	$ 92,768	41.70%
Accrued wages	8,809	4,264	4,545	106.59%
Deferred revenue	1,500	-	1,500	100.00%
	$ 325,535	$ 226,722	$ 98,813	43.58%

Current Liabilities Payable from Unrestricted Assets increased by $99K or 43.58% when compared to the previous year's balance.

CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

Condensed Statements of Revenues, Expenses and Changes in Net Position

As indicated in Table 6, the change in net position for the fiscal year ended December 31, 2025 was $1.48M.

TABLE 6
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2025	2024	Change in FY 2024 to FY 2025 Amount	Change in FY 2024 to FY 2025 Percent
REVENUES				
Operating revenues	$ 4,384,104	$ 4,198,501	$ 185,603	4.42%
Non-operating revenues	295,830	207,507	88,323	42.56%
Total revenues	4,679,934	4,406,008	273,926	6.22%
EXPENSES				
Depreciation expense	717,751	664,546	53,205	8.01%
Operating expenses	3,234,625	2,906,895	327,730	11.27%
Non-operating expenses	220,997	326,821	(105,824)	-32.38%
Total expenses	4,173,373	3,898,262	275,111	7.06%
Income (loss) before grants and capital contributions	506,561	507,746	(1,185)	-0.23%
Federal grants	918,955	261,776	657,179	251.05%
Capital contributions	50,566	82,050	(31,484)	-38.37%
Changes in net position	1,476,082	851,572	624,510	73.34%
Net position, beginning of year	12,103,386	11,251,814	851,572	7.57%
Net position, end of year	$ 13,579,468	$ 12,103,386	$ 1,476,082	12.20%

Analysis of Revenue

For the 2025 fiscal year, the *Operating Revenues* of the system were $4.4M. This amount represented an increase of $186K or 4.42% compared with the previous year's total.

Included in *Nonoperating Revenues* is interest income of $227K.

Analysis of Expenses

The total *Operating Expenses* for FY 2025 were $4M. The amount represents an increase of $381K or 10.67% more than the prior fiscal year of $3.6M. The major categories of *Operating Expenses* are shown in the chart below.

TABLE 7
Comparison of Operating Expenses

			Change in FY 2024 to FY 2025	
	2025	2024	Amount	Percent
Water purchased	$1,298,138	$1,219,615	$ 78,523	6.44%
Depreciation	717,751	664,546	53,205	8.01%
Salaries	861,828	783,381	78,447	10.01%
Maintenance and repairs	240,563	209,201	31,362	14.99%
Insurance	183,537	208,539	(25,002)	-11.99%
Rental expense	2,884	1,577	1,307	82.88%
Electricity for pumping	95,140	83,188	11,952	14.37%
Professional services	77,388	62,214	15,174	24.39%
Office supplies and expense	293,188	185,793	107,395	57.80%
Operating materials and supplies	85,713	125,078	(39,365)	-31.47%
Payroll taxes and fringe benefits	60,463	(6,715)	67,178	-1000.42%
Transportation expenses	35,783	35,024	759	2.17%
	$3,952,376	$3,571,441	$ 380,935	10.67%

As indicated by the comparative information presented above, water purchases increased by $79K or 6.44% compared to the prior year.

Capital Assets

Christian County Water District's investment in capital assets as of December 31, 2025 was $15.7M (net of accumulated depreciation), as shown in the following table.

TABLE 8
Capital Assets

	2025	2024
Capital assets not depreciated		
Land and land rights	$ 143,491	$ 118,491
Construction in progress	1,088,483	672,134
Total nondepreciable historical cost	1,231,974	790,625
Capital assets depreciated		
Structures and improvements	1,065,122	1,065,122
Supply mains	33,672	33,672
Pumping equipment	926,702	926,702
Treatment equipment	10,700	10,700
Reservoirs	3,033,988	3,033,988
Transmission mains	19,598,384	18,869,468
Services	247,664	247,664
Meters	1,786,712	1,698,381
Hydrants	822,439	822,439
Office equipment	192,244	154,489
Vehicles	676,823	407,011
Tools and miscellaneous	819,006	819,006
Total depreciable historical cost	29,213,456	28,088,642
Total capital assets	30,445,430	28,879,267
Less accumulated depreciation	(14,743,471)	(14,008,291)
Total capital assets, net	$ 15,701,959	$ 14,870,976

As of December 31, 2025, the District's capital assets totaled $15.7M, which is an increase of $831K over the net capital asset balance at December 31, 2024. Capital assets had additions of $1.6M, which are offset by depreciation expense of $718K.

Long-term Debt

As of December 31, 2025, the District had $6.2M (net of premium and discounts) in outstanding debt compared to $6.7M as of December 31, 2024. Long-term debt activity consisted of a reduction of principal of $492K.

Additional information on the District's long-term debt is provided in Note 5 of the financial statements.

ECONOMIC FACTORS AND RATES

Due to rising costs in recent years, the District's main wholesale water supplier, Hopkinsville Water Environment Authority (HWEA), had a wholesale rate study performed by HDR Inc in 2024. Upon completion of the study HWEA approached the District with a proposed wholesale rate increase. The District reviewed the study internally in addition to having an independent party from the Kentucky Rural Water Association analyze the study also. After review, discussion, and negotiations on the matter, HWEA filed tariff revisions with the Kentucky Public Service Commission (KYPSC) in August of 2025 to increase the wholesale rate over a three-year period with first year increase to the district beginning October 1st, 2025 by 22.15%. The KYPSC approved the three-year wholesale rate increase in September 2025 (Tariff filing #TFS2025-00385)

In September of 2025 the District applied with the KYPSC for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. In October the KYPSC approved this pass-through purchase water adjustment increase in the amount of $.62 per 1000 gallons sold effective October 1st 2025 (Case No. 2025-00309)

Interest income increased during the year due to rising interest rates on District accounts. This resulted in a positive impact on the District's other revenue sources.

On a more positive note, the Kentucky Legislature enacted House Bill 551, which introduced an additional funding mechanism for the state's net pension liability. This legislation authorizes supplemental appropriations to the Kentucky Permanent Pension Fund as part of each biennial budget. The additional funding stream is expected to meaningfully improve the overall funding status of the state-administered pension systems in future years.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report, or wish to request additional financial information, please contact the Christian County Water District's General Manager at 1940 Dawson Springs Road, Hopkinsville, KY 42240.

FINANCIAL STATEMENTS

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,823,975	$ 1,412,083
Accounts receivable - net of allowance for doubtful accounts	285,692	227,060
Grants receivable	-	189,356
Unbilled revenues	250,485	223,244
Inventory	338,160	338,182
Prepaid expenses	21,156	11,608
Total current assets	2,719,468	2,401,533
Restricted assets		
Cash - customers' deposits	90,333	84,697
Cash - bond and interest redemption account	1,245,411	1,139,808
Cash - depreciation reserve account	1,000,031	1,162,804
Cash - bond reserve account	-	291,083
Cash - construction funds	45,710	43,534
Investments - depreciation reserve	1,022,008	912,057
Total restricted assets	3,403,493	3,633,983
Capital assets not being depreciated		
Land and land rights	143,491	118,491
Construction in progress	1,088,483	672,134
Capital assets being depreciated		
Water supply and distribution system	14,469,985	14,080,351
Total capital assets	15,701,959	14,870,976
Other assets		
Net OPEB asset	-	37,236
Deposits	30	115
Deferred charges		
Unamortized bond issuance costs	126,079	139,090
Total assets	21,951,029	21,082,933
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	114,698	91,602
Pension related	219,790	233,496
Deferred amount on refunding of debt	13,501	14,553
Total deferred outflows of resources	347,989	339,651

Continued

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION, continued
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	315,226	222,458
Accrued wages	8,809	4,264
Deferred revenue	1,500	-
Total current liabilities	325,535	226,722
Current liabilities payable from restricted assets		
Customers' deposits	90,333	84,697
Interest payable	97,620	104,923
Notes payable - current	10,000	9,500
Long-term debt - current portion	498,000	482,500
Total payable from restricted assets	695,953	681,620
Noncurrent liabilities		
Long-term debt (net of unamortized discounts and premiums)	5,671,679	6,190,126
Notes payable	261,500	271,500
Net OPEB liability	22,014	-
Net pension liability	1,274,680	1,286,090
Compensated absences	13,634	14,715
Total noncurrent liabilities	7,243,507	7,762,431
Total liabilities	8,264,995	8,670,773
DEFERRED INFLOWS OF RESOURCES		
OPEB related	280,052	407,330
Pension related	174,503	241,095
Total deferred inflows of resources	454,555	648,425
NET POSITION		
Net investment in capital assets	11,328,529	10,035,745
Restricted for debt service	1,245,411	1,430,891
Unrestricted	1,005,528	636,750
Total net position	$ 13,579,468	$ 12,103,386

See accompanying notes to the financial statements

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Water sales	$4,282,968	$4,146,735
Other revenues	101,136	51,766
Total operating revenues	4,384,104	4,198,501
OPERATING EXPENSES		
Water purchased	1,298,138	1,219,615
Depreciation	717,751	664,546
Salaries	861,828	783,381
Maintenance and repairs	240,563	209,201
Insurance	183,537	208,539
Rental expense	2,884	1,577
Electricity for pumping	95,140	83,188
Professional services	77,388	62,214
Office supplies and expense	293,188	185,793
Operating materials and supplies	85,713	125,078
Payroll taxes and fringe benefits	60,463	(6,715)
Transportation expenses	35,783	35,024
Total operating expenses	3,952,376	3,571,441
Operating income	431,728	627,060
NONOPERATING REVENUES (EXPENSES)		
Interest and dividend income	226,993	207,507
Gain (loss) on disposal of assets	9,586	-
Interest expense	(207,986)	(230,630)
Amortization of bond issuance costs	(13,011)	(13,011)
Unrealized gain (loss) on investments	59,251	(83,180)
Total nonoperating revenue (expense)	74,833	(119,314)
Income (loss) before grants and capital contributions	506,561	507,746
Federal grants	918,955	261,776
Capital contributions	50,566	82,050
Change in net position, carried forward	1,476,082	851,572

Continued

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Change in net position, brought forward	1,476,082	851,572
Net position, beginning of year	12,103,386	11,251,814
Net position, end of year	$ 13,579,468	$ 12,103,386

See accompanying notes to the financial statements

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities		
Receipts from customers and users	$ 4,487,753	$ 4,461,339
Cash payments to suppliers for goods and services	(2,228,448)	(2,088,024)
Cash payments to employees	(1,073,471)	(1,027,422)
Net cash provided (used) by operating activities	1,185,834	1,345,893
Cash flows from capital and related financing activities		
Proceeds from grants	918,955	261,776
Purchases and construction of property and equipment	(1,548,735)	(579,501)
Principal paid on debt	(492,000)	(480,500)
Tap-on fees	50,566	82,050
Proceeds from disposal of capital assets	9,586	-
Customer deposits	5,636	3,058
Interest expense	(214,237)	(236,006)
Net cash provided (used) in capital and related financing activities	(1,270,229)	(949,123)
Cash flows from investing activities		
Net purchases/sales of investments	(21,144)	23,387
Interest income (expense)	176,990	168,581
Net cash provided (used) by investing activities	155,846	191,968
Net increase (decrease) in cash and cash equivalents	71,451	588,738
Cash, beginning of year	4,134,009	3,545,271
Cash, end of year	4,205,460	4,134,009
Less restricted cash		
Cash - customer deposits	(90,333)	(84,697)
Cash - bond and interest redemption	(1,245,411)	(1,139,808)
Cash - depreciation reserve	(1,000,031)	(1,162,804)
Cash - bond reserve	-	(291,083)
Cash - construction funds	(45,710)	(43,534)
Total restricted cash	(2,381,485)	(2,721,926)
Cash and cash equivalents per statement of net position	$ 1,823,975	$ 1,412,083

Continued

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS, continued
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities		
Operating income	$ 431,728	$ 627,060
Adjustment to reconcile revenue to net cash		
provided by operating activities		
Depreciation	717,751	664,546
(Increase) decrease in		
Accounts receivable and unbilled revenues	103,568	260,308
Inventory	22	32,658
Prepaid expenses	(9,548)	(4,564)
Increase (decrease) in		
Accounts payable	94,269	25,171
Accrued wages	4,545	(24,119)
Compensated absences	(1,081)	1,753
OPEB	(91,124)	(98,541)
Pension	(64,296)	(138,379)
Net cash provided (used) by operating activities	$ 1,185,834	$ 1,345,893

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Christian County Water District (the District) was created in 1967. It is a distributor of water under the authority of the Public Service Commission of Kentucky. The District was established to construct, operate and maintain water service facilities, and to supply water to customers in Christian County, Kentucky. The District purchases its water supply from nearby city and water utilities. All of the water purchased by the District has been filtered and treated. The District operates and maintains the distribution system that supplies its end users.

Reporting Entity

The District is governed by a five-member board (the Board). The criteria for determining the District as a component unit of Christian County, Kentucky, the primary government, is financial accountability. As set forth in Section 2100, Defining the Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to impose its will on that organization. The majority of the Commissioners of the Board are appointed by the Christian County Judge Executive subject to the approval of the Christian County Fiscal Court. Christian County is able to impose its will on the District through the ability to remove appointed members of the Board at will and the ability to modify or approve the budget of the District.

Basis of Presentation and Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's intent is that the costs of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control and accountability.

The District follows the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned and expenses are recorded when incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for water consumption. Operating expenses consist of bulk water purchases, administrative expenses and depreciation of capital assets. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions.

When an expense is incurred for purposes in which both restricted and unrestricted net assets are available, it is the District's policy to first apply restricted resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position reported in the following categories:

Net investment in capital assets – Consists of capital assets net of accumulated depreciation/ amortization and reduced by outstanding bonds, notes and other debt that is attributable to the acquisition, construction or improvement of the assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of the net position that does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Estimates

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

Cash and Investments

Cash and temporary investments include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Restricted cash and temporary investments include amounts held in money market funds as well as short-term investments with an original maturity of three months or less. These amounts consist of sinking funds for bond principal and interest payments as well as funds set aside for customer deposits, depreciation reserves and construction funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments consist of mortgage-backed securities and money market funds and are recorded at fair value. The District's investment portfolio is maintained in accordance with KRS 66.480.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

Level 1 – Inputs are quoted prices in active markets for identical assets;
Level 2 – Inputs are significant other observable inputs;
Level 3 – Inputs are significant unobservable inputs.

Accounts Receivable

Billed receivables are stated at the amount billed to customers. Unbilled receivables are recorded for services provided for which customers have not been billed at December 31, 2025 and 2024. The District grants credit to its customers, all of whom are residents or businesses located in Christian County, Kentucky. The District's policy is to move accounts deemed uncollectible to an allowance for doubtful accounts at the end of each calendar year.

Inventory

Operating supplies are stated at the lower of cost, determined by first-in first-out (FIFO) method, or net realizable value.

Restricted Assets

Restricted assets represent resources designated for specific purposes and customer deposits.

Capital Assets

Capital assets are stated at historical cost. Donated assets are recorded at acquisition value at the time received. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred. Interest costs for utility plant asset construction are capitalized. Interest incurred on debt during a construction project is capitalized as a cost of the construction project.

Depreciation rates based upon estimated useful lives have been applied on the straight-line method. The estimated useful lives are as follows:

Structures, mains and accessories	33 – 50 years
Equipment, office equipment, pumping equipment, hydrants and meters	5 – 20 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Construction in Progress

Construction in progress includes design and construction costs that accumulate until completion of the respective project, at which time the total cost is transferred to depreciable capital assets.

Long-term Debt

Debt is a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Leases

The District evaluated its contracts and agreements in accordance with GASB Statement No. 87, *Leases*. Management determined the District is not a party to any material lease arrangements that convey control of the right-to-use another entity's non-financial asset for a period of time in an exchange or exchange-like transaction. Accordingly, no lease asset or lease liabilities are reported as of December 31, 2025.

Compensated Absences

Full-time permanent employees and part-time employees with six months' continuous service are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. A carryover of a maximum of eight vacation days is allowed. Sick leave accrues to full-time permanent employees to a specified maximum of 120 days. For employees with hire dates prior to January 1, 1987, accrued sick leave is paid in full to the 120-day maximum upon retirement or separation after twenty years of service. For employees with a hire date subsequent to January 1, 1987, upon retirement the employee may transfer accumulated sick leave up to 120 days to the employer for retirement credit only. The District shall purchase retirement service credit in an amount equal to the unused sick leave of said employee.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

Customer Deposits

The District requires all new customers who do not have an existing account to pay a security deposit of $50. This deposit is held on the account for a year, and then the account is reviewed for good standing. If the customer owns the property and the account is in good standing for a year, the security deposit is refunded with interest determined by the Kentucky Public Service Commission. If the customer is renting the property, when the customer moves out of the property, interest is added at the same rate as determined by the Kentucky Public Service Commission, and the security deposit is then applied to the outstanding balance on the account. If the security deposit is more than the amount owed on the account, the remainder is refunded to the customer.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement that presents net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting as deferred inflows or outflows of resources:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow of resources; this will be applied to the net pension or OPEB liability in the next fiscal year.

- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow of resources as appropriate.

- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow of resources as appropriate.

- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or deferred inflow of resources as appropriate.

- Deferred amount on refunding of debt.

Pensions and Post-Employment Benefits Other than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, OPEB and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 7 provides further detail on the net pension liability.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 8 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS plan.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or connection to the District's system.

Subscription-Based Information Technology Arrangements (SBITAs)

Effective July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement requires recognition of a right-to-use subscription asset and a corresponding subscription liability for SBITAs, measured in a manner similar to lease accounting.

During fiscal year 2025, the System evaluated its contracts and determined that it does not have material SBITAs meeting the recognition criteria. Accordingly, no subscription assets or liabilities have been recorded as of December 31, 2025. Management will continue to evaluate subscription-based contracts for applicability in future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

The District is exempt from federal and state income tax under Section 501 of the Internal Revenue Code as the District is an adjunct of the government of Christian County, Kentucky.

Subsequent Events

Subsequent events have been evaluated through June 8, 2026, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Deposits

The carrying amounts of the District's deposits with financial institutions were $4,204,460 and $4,133,009, and the bank balances were $4,232,459 and $4,132,994 as of December 31, 2025 and 2024, respectively.

The District's cash and investments (unrestricted and restricted) at year-end are presented below.

	2025	2024
Cash	$4,204,460	$4,133,009
Investments	1,022,008	912,057
Petty cash	1,000	1,000

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute for bank deposits to be collateralized.

2025

The District's deposits were fully collateralized for all months of the year ending December 31, 2025.

2024

The District's deposits were fully collateralized for all months of the year ending December 31, 2024.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 – CASH AND INVESTMENTS, continued

Credit Risk

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

Concentration of Credit Risk

Financial instruments that potentially subject the District to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Of the bank balances, $500,000 and $670,651 were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District's name, and $3,214,289 and $2,888,578 were insured and collateralized as of December 31, 2025 and 2024.

Fair Value Measurement

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
2025			
Mortgage-backed securities	$ -	$ 929,434	$ -
Money market funds	92,574	-	-
Total investments	$ 92,574	$ 929,434	$ -
2024			
Mortgage-backed securities	$ -	$ 870,183	$ -
Money market funds	41,874	-	-
Total investments	$ 41,874	$ 870,183	$ -

CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 3 – CAPITAL ASSET AND DEPRECIATION PROCEDURES

A summary of changes in major classifications of the District capital assets in service as of December 31, 2025 follows:

	Balance December 31, 2024	Additions	Deductions	Balance December 31, 2025
Capital assets not depreciated				
Land and land rights	$ 118,491	$ 25,000	$ -	$ 143,491
Construction work in progress	672,134	1,145,265	728,916	1,088,483
Total capital assets not depreciated	790,625	1,170,265	728,916	1,231,974
Capital assets depreciated				
Structures and improvements	1,065,122	-	-	1,065,122
Supply mains	33,672	-	-	33,672
Pumping equipment	926,702	-	-	926,702
Water treatment equipment	10,700	-	-	10,700
Distribution reservoirs	3,033,988	-	-	3,033,988
Transmission mains	18,869,468	728,916	-	19,598,384
Services	247,664	-	-	247,664
Meters	1,698,381	88,331	-	1,786,712
Hydrants	822,439	-	-	822,439
Office equipment	154,489	37,755	-	192,244
Vehicles	407,011	252,384	17,428	641,967
Tools and miscellaneous	819,006	-	-	819,006
Total capital assets depreciated	28,088,642	1,107,386	17,428	29,178,600
Less: Accumulated depreciation	(14,008,291)	(717,752)	(17,428)	(14,708,615)
Total capital assets depreciated, net	14,080,351	389,634	-	14,469,985
Total capital assets	$ 14,870,976	$ 1,559,899	$ 728,916	$ 15,701,959

NOTE 3 – CAPITAL ASSET AND DEPRECIATION PROCEDURES, continued

A summary of changes in major classifications of the District capital assets in service as of December 31, 2024 follows:

	Balance December 31, 2023	Additions	Deductions	Balance December 31, 2024
Capital assets not depreciated				
Land and land rights	$ 118,491	$ -	$ -	$ 118,491
Construction work in progress	457,825	214,309	-	672,134
Total capital assets not depreciated	576,316	214,309	-	790,625
Capital assets depreciated				
Structures and improvements	1,065,122	-	-	1,065,122
Supply mains	33,672	-	-	33,672
Pumping equipment	926,702	-	-	926,702
Water treatment equipment	10,700	-	-	10,700
Distribution reservoirs	3,033,988	-	-	3,033,988
Transmission mains	18,869,468	-	-	18,869,468
Services	247,664	-	-	247,664
Meters	1,617,150	81,231	-	1,698,381
Hydrants	822,439	-	-	822,439
Office equipment	154,489	-	-	154,489
Vehicles	407,011	-	-	407,011
Tools and miscellaneous	535,045	283,961	-	819,006
Total capital assets depreciated	27,723,450	365,192	-	28,088,642
Less: Accumulated depreciation	(13,343,745)	(664,546)	-	(14,008,291)
Total capital assets depreciated, net	14,379,705	(299,354)	-	14,080,351
Total capital assets	$ 14,956,021	$ (85,045)	$ -	$ 14,870,976

NOTE 3 – CAPITAL ASSET AND DEPRECIATION PROCEDURES, continued

Construction in progress amounted to $1,088,483 and $672,134 at December 31, 2025 and 2024, respectively. The December 31 balances are represented by the following:

	2025	2024
Road line extensions	$1,080,483	$ 664,134
Future projects research	8,000	8,000
	$1,088,483	$ 672,134

NOTE 4 – ACCOUNTS RECEIVABLE

The December 31 balances are represented by the following:

	2025	2024
Customer accounts receivable	$ 298,974	$ 523,871
Less allowance for doubtful accounts	(12,000)	(272,341)
	286,974	251,530
Other accounts receivable	(1,282)	(24,470)
Total	$ 285,692	$ 227,060

NOTE 5 – LONG-TERM DEBT

Revenue Bonds

The District has issued bonds pledging income derived from operations to pay debt service. Revenue bonds outstanding at December 31, 2025 and 2024 are as follows:

Name/Purpose	Interest Rate	Amount 2025	Amount 2024
Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2013B, principal due in monthly installments through February 1, 2029	2.30% - 3.30%	$ 445,000	$ 575,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2016B (refinance original system bonds), principal due in monthly installments through January 1, 2030	2.25% - 3.25%	895,000	1,060,000
Waterworks Revenue Bonds Series 2018 (Phase VIII line expansion), principal due in annual installments through July 1, 2056	2.75%	1,591,000	1,623,500
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2020G (refinance Waterworks Revenue Bonds 2008), principal due in annual installments through July 1, 2048	2.25% - 5.25%	1,415,000	1,460,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2021D (refinance Waterworks Revenue Bonds 2012C), principal due in annual installments through August 1, 2038	2.20% - 5.20%	1,580,000	1,690,000
		$ 5,926,000	$ 6,408,500

NOTE 5 – LONG-TERM DEBT, continued

Revenue bond debt service requirements to maturity, including $1,377,565 of interest, are as follows:

Year Ending December 31	Principal	Interest	Total
2026	$ 498,000	$ 122,982	$ 620,982
2027	504,000	110,426	614,426
2028	535,000	97,566	632,566
2029	431,000	83,567	514,567
2030	417,000	74,452	491,452
2031-2035	1,170,500	318,194	1,488,694
2036-2040	809,500	254,095	1,063,595
2041-2045	608,000	179,116	787,116
2046-2050	531,000	95,518	626,518
2051-2055	345,500	39,545	385,045
2056	76,500	2,104	78,604
Total	$5,926,000	$1,377,565	$7,303,565

Bond covenants for the District require the maintenance of a Bond Sinking Fund. Monthly deposits are to be made to this fund for payment of interest and principal of outstanding bonds, a sum equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the bonds, plus a sum equal to one-twelfth (1/12) of the principal of any bonds maturing on the next succeeding principal payment date. The District was in compliance with this requirement at December 31, 2025 and 2024.

Other Long-term Debt

A summary of other long-term debt as of December 31 follows:

	Interest Rate	Amount 2025	Amount 2024
USDA Rural Development advance, principal due in annual installments through 2043, secured by utility revenues	4.375%	$ 271,500	$ 281,000
		$ 271,500	$ 281,000

NOTE 5 – LONG-TERM DEBT, continued

Other long-term debt service requirements to maturity, including interest of $127,496, are as follows:

Year Ending December 31	Principal	Interest	Total
2026	$ 10,000	$ 11,878	$ 21,878
2027	10,500	11,441	21,941
2028	11,000	11,756	22,756
2029	11,500	10,500	22,000
2030	12,000	9,997	21,997
2031-2035	68,500	41,650	110,150
2036-2040	86,000	25,222	111,222
2041-2042	62,000	5,052	67,052
Total	$ 271,500	$ 127,496	$ 398,996

A summary of changes in long-term debt for the year ended December 31, 2025 is listed as follows:

	Balance December 31, 2024	Additions	Deductions	Balance December 31, 2025	Amounts Due Within One Year
Revenue bonds	$ 6,408,500	$ -	$ 482,500	$ 5,926,000	$ 498,000
Rural Development advance	281,000	-	9,500	271,500	10,000
Premium (discount)	264,126	-	20,447	243,679	20,447
Net OPEB liability (asset)	1,286,090	-	11,410	1,274,680	-
Net pension liability (asset)	(37,236)	59,250	-	22,014	-
Total long-term liabilities	$ 8,202,480	$ 59,250	$ 523,857	$ 7,737,873	$ 528,447

A summary of changes in long-term debt for the year ended December 31, 2024 is listed as follows:

	Balance December 31, 2023	Additions	Deductions	Balance December 31, 2024	Amounts Due Within One Year
Revenue bonds	$ 6,880,000	$ -	$ 471,500	$ 6,408,500	$ 482,500
Rural Development advance	290,000	-	9,000	281,000	9,500
Premium (discount)	284,553	-	20,427	264,126	20,427
Net OPEB liability (asset)	1,508,256	-	222,166	1,286,090	-
Net pension liability (asset)	452,767	-	490,003	(37,236)	-
Total long-term liabilities	$ 9,415,576	$ -	$ 1,213,096	$ 8,202,480	$ 512,427

NOTE 5 – LONG-TERM DEBT, continued

The District has pledged future water customer revenues, net of specified operating expenses, to repay $5,926,000 in water system Revenue Bonds Series 2013B, 2016B, 2018, 2020G and 2021D. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2056. The total principal and interest remaining to be paid on the bonds is $7,303,565. Principal and interest paid and total customer net revenues for the year ended December 31, 2025 were $616,794 and $4,384,104, respectively. Principal and interest paid and total customer net revenues for the year ended December 31, 2024 were $615,868 and $4,198,501, respectively.

The District has various financial and non-financial debt covenants and restrictions as set forth in the bond and loan agreements. Failure to fulfill any of the debt covenants and restrictions, or failure to cure any such failure within 30 days, constitute an event of default. In the event of default, the respective owners of the bonds may enforce and compel the duties and obligations set forth within the bond agreement.

NOTE 6 – DEFERRED CHARGES

Legal and financial advisory fees, printing costs and other expenses associated with the issuance of Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2013B, 2016B, 2020G and 2021D are being amortized on the straight-line method over the term of the bonds. Amortization expense charged to nonoperating expense was $13,011 and $13,011 for the years ending December 31, 2025 and 2024, respectively.

The premiums associated with the Series 2013B, Series 2016B, Series 2020G and Series 2021D issues are being amortized on the straight-line method over the term of the bonds. Amortization of the premiums included in interest income was $20,427 and $20,427 for the years ending December 31, 2025 and 2024, respectively.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

General information about the County Employees Retirement System Non-Hazardous (CERS)

The District is a participating employer of the County Employees’ Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority’s website.

Plan description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Benefits provided – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years' service or 65 years old
	Reduced retirement	At least 5 years' service and 55 years old
		At least 25 years' service and any age
	Required contributions	5.00%
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years' service and 60 years old
	Required contributions	5.00% + 1.00% for insurance
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available
	Required contributions	5.00% + 1.00% for insurance

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Per Kentucky Revised Statute 61.565, normal contribution and past service contribution rates shall be determined by the Board of Trustees of the Kentucky Public Pensions Authority on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended December 31, 2025, plan members were required to contribute 5% of their annual creditable compensation. Plan members hired subsequent to September 1, 2008 were required to contribute 6% of their annual creditable compensation. The District is required to contribute at an actuarial determined rate.

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Contribution Rates and Amounts for CERS Non-Hazardous

				Employer	
Period	Pension	Insurance	Total	Pension	Insurance
01/01/2025 - 06/30/2025	19.71%	0.00%	19.71%	$ 68,989	$ -
07/01/2025 - 12/31/2025	18.62%	0.00%	18.62%	78,044	-
				$ 147,033	$ -

Pension Liabilities, Pension Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2025 and 2024, the District reported a liability of $1,274,680 and $1,286,090, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's portion of the net pension liability was based on the District's proportionate share of retirement contributions for the fiscal year ended June 30, 2025 and 2024. At December 31, 2025 and 2024, the District's proportion was 0.022907% and 0.021505%, respectively.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. For the measurement periods June 30, 2025 and 2024, the District recognized pension expense of $82,242 and $22,799, respectively, related to CERS.

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

At December 31, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 42,258	$ -	$ 62,249	$ -
Change of assumptions	-	-	-	58,106
Net differences between projected and actual earnings on pension plan investments	47,042	174,503	88,325	171,014
Changes in proportion and difference between District contributions and proportionate share of contributions	52,446	-	1,022	11,975
District contributions subsequent to the measurement date	78,044	-	81,900	-
Total	$ 219,790	$ 174,503	$ 233,496	$ 241,095

The amounts of $78,044 and $81,900, respectively reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2026 and 2025. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	
2026	$ 54,641
2027	(24,191)
2028	(41,418)
2029	(21,789)
2030	-
Total	$ (32,757)

Actuarial assumptions – For financial reporting, the actuarial valuation as of June 30, 2025, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability and sensitivity information in the June 30, 2025 actuarial valuation was based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2025, using generally accepted actuarial principles.

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2025. These assumptions are documented in the report titled "2024 Actuarial Experience Study for the Period Ending June 30, 2024." The total pension liability as of June 30, 2025, is determined using these updated assumptions.

Based on the June 30, 2023 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below.

Determined by the Actuarial Valuation as of:	June 30, 2023
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level percent of pay
Amortization Period:	30-year closed period at June 30, 2019 *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases*
Payroll Growth Rate	2.00%
Investment Return:	6.50%
Inflation:	2.50%
Salary Increases:	3.30% to 10.30%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Phase-in provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Long-term expected rate of return – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetical real rates of return for each major asset class are summarized in the following tables. The current long-term inflation assumption is 2.50% per annum for both the nonhazardous and hazardous plan.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income		
Core Bonds	13.00%	2.70%
Specialty Credit/ High Yield	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Expected Real Return	100.00%	4.24%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		6.74%

Discount rate – The single discount rate used to measure the total pension liability for the fiscal plan year ending June 30, 2025 was 6.50% for nonhazardous and hazardous employees. The projection of cash flows used to determine the single discount rate for each plan must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that each participating employer in each pension plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employee contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. The discount rate determination does not use a municipal bond rate.

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension liability, calculated using the discount rates selected by the pension system, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

2025	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	$ 1,685,213	$ 1,274,680	$ 935,981

2024	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	$ 1,657,980	$ 1,286,090	$ 977,519

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

Payable to the Pension and OPEB Plan – At December 31, 2025 and 2024, the District reported a payable of $18,459 and $24,373, respectively, for the outstanding amount of contributions required for the years then ended. These amounts represent the employee withholding and employer match for the last month of the years then ended. The payable includes both pension and insurance (OPEB) contributions.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the County Employees Retirement System Non-Hazardous OPEB Plan

Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS) and State Police Retirement System (SPRS) is a participating employer of the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan description – The Kentucky Public Pensions Authority (KPPA) Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS and CERS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Benefits provided – The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan that covers substantially all regular full-time members employed in positions of each participating county, city and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Implicit subsidy – KPPA pays fully-insured premiums for the Kentucky Employee Health Plan. The premiums are blended rates based on the combined experience of active and retired members. Because the average cost of providing healthcare benefits to retirees under age 65 is higher than the average cost of providing healthcare benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Contributions – Participating employers are required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute, normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS.

Contribution Rates and Amounts for CERS Non-Hazardous

				Employer	
Period	Pension	Insurance	Total	Pension	Insurance
01/01/2025 - 06/30/2025	19.71%	0.00%	19.71%	$ 68,989	$ -
07/01/2025 - 12/31/2025	18.62%	0.00%	18.62%	78,044	-
				$ 147,033	$ -

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2025 and 2024, the District reported a liability (asset) of $22,014 and ($37,236), respectively for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2025, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2025 and 2024, the District's proportion for the non-hazardous system was 0.022921% and 0.021526%, respectively.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

For the measurement periods June 30, 2025 and 2024, the District recognized OPEB expense of ($80,451) and ($88,414), respectively. At December 31, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,399	$ 189,256	$ 20,658	$ 292,972
Changes of assumptions	14,683	12,605	33,740	26,274
Net difference between projected and actual earnings on OPEB plan investments	17,426	67,281	32,731	66,711
Changes in proportion and differences between District contributions and proportionate share of contributions	11,190	10,910	4,473	21,373
District contributions subsequent to the measurement date	-	-	-	-
Total	$ 114,698	$ 280,052	$ 91,602	$ 407,330

The amounts of $0 and $0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ending December 31, 2025 and 2026, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31	
2026	$ (97,698)
2027	(78,966)
2028	6,731
2029	4,579
2030	-
Total	$ (165,354)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Actuarial assumptions – The total OPEB liability, net OPEB liability and sensitivity information in the June 30, 2025 actuarial valuation was based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2025, using generally accepted actuarial principles. The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2025. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2025. These assumptions are documented in the report titled "2024 Actuarial Experiences Study for the Period Ending June 30, 2024". Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The total OPEB liability as of June 30, 2025, is determined using these updated assumptions.

Actuarial assumptions – The total OPEB liability actuarial valuation was determined using the following actuarial methods and assumptions:

Determined by the Valuation Date	June 30, 2023
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Period	30-year closed period at June 30, 2019 Gains/ losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.00%
Investment return	6.50%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2022, projected with ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of valuation and were incorporated into the liability measurement.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

The actuarial assumption used in the June 30, 2025 valuation were based on the results of an actuarial experience study by Gabriel Roeder Smith (GRS) for a five year period ending June 30, 2023.

Long-term expected rate of return – The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of returns were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the following table. The current long- term inflation assumption is 2.50% per annum for both the nonhazardous and hazardous plan.

Asset Class	Target Allocation	Long-term Expected Real
Equity		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income		
Core fixed income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Expected Real Return	100.00%	4.24%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		6.74%

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Discount rate – Single discount rates used to measure the total OPEB liability for the years ended December 31, 2025 and 2024 were 6.26% and 5.99% for CERS Non-hazardous plans. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2025. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate for each plan must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that each participating employer in each pension plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employee contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

Sensitivity of the Districts' proportionate share of the net OPEB liability to changes in the discount rate – The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.26% for non-hazardous) or 1-percentage-point higher (7.26% for non-hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
2025	5.26%	6.26%	7.26%
District's proportionate share of net OPEB liability	$ 132,090	$ 22,014	$ (70,632)
2024	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	$ 50,347	$ (37,236)	$ (110,875)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

2025	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ (50,874)	$ 22,014	$ 107,340

2024	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ (89,585)	$ (37,236)	$ 23,747

Pension plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pension Authority Comprehensive Annual Financial Report on the KPPA website at www.kyret.ky.gov.

NOTE 9 – 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. The District carries commercial insurance for these types of risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – GRANTS AND CONTRIBUTIONS

Grants and contributions for the years ending December 31 were as follows:

	2025	2024
Tap-on fees	$ 50,566	$ 82,050
Grants	918,956	261,776
	$ 969,522	$ 343,826

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

Implemented

GASB Statement No. 101, *Compensated Absences* – The District adopted this standard effective January 1, 2024. The standard modifies the recognition and measurement of compensated absences. The adoption did not result in material change to the financial position or results of operations.

GASB Statement No. 102, *Certain Risk Disclosures* – The District adopted this standard effective January 1, 2025. The standard requires disclosure of concentration and constraints that could impact a government's financial position or operations within 12 months of the financial statement date. The adoption did not materially affect disclosures.

Recent pronouncements

The following standards were issued but not yet effective as of December 31, 2025. The board is currently evaluating the impact of these standards.

GASB Statement No. 103, *Financial Reporting Model Improvements* – Effective for fiscal years beginning after June 15, 2025. The standard will significantly revise the presentation of governmental financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – Effective for fiscal years beginning after June 15, 2025. The District is evaluating the impact on disclosures related to infrastructure and intangible assets.

NOTE 12 – COMMITMENT

As of December 31, 2025, the District's Board of Directors approved a commitment of up to $970,000 of deprecation reserve funds to complete Phase 9C of its capital improvement program, which includes the replacement and rehabilitation of two pump stations (Dawson and Antioch) and a water main on Antioch Road. Phase 9C will utilize the remaining balance of the District's Cleaner Water Grant prior to its deadline, with the committed depreciation funds covering remaining project costs, including contingencies. Management anticipates the actual contribution will be approximately $700,000 - $800,000.

REQUIRED SUPPLEMENTARY INFORMATION

CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

As of December 31	2025	2024	2023	2022	2021	2020	2019	2018
District's portion of net pension liability	0.022907%	0.021505%	0.021379%	0.021889%	0.023656%	0.022372%	0.021053%	0.021400%
District's proportionate share of net pension liability	$ 1,274,680	$ 1,286,090	$1,371,785	$1,582,359	$1,508,256	$1,715,914	$1,480,667	$1,303,325
State's proportionate share of net pension liability associated with the Utility	-	-	-	-	-	-	-	-
Total	$ 1,274,680	$ 1,286,090	$1,371,785	$1,582,359	$1,508,256	$1,715,914	$1,480,667	$1,303,325
District's covered-employee payroll	$ 749,557	$ 647,399	$ 613,651	$ 599,764	$ 597,525	$ 550,196	$ 514,861	$ 564,185
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	170.06%	198.65%	223.54%	263.83%	252.42%	311.87%	287.59%	231.01%
Plan fiduciary net position as a percentage of total pension liability	65.34%	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%

See accompanying notes to the required supplementary information.

CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

For the year ended December 31	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 147,033	$ 159,863	$ 151,290	$ 141,702	$ 118,314	$ 115,322	$ 97,870	$ 79,044
Contributions in relation to the contractually required contribution	147,033	159,863	151,290	141,702	118,314	115,322	97,870	79,044
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 769,161	$ 749,557	$ 647,399	$ 613,651	$ 599,764	$ 597,525	$ 550,196	$ 514,861
Contributions as a percentage of covered employee payroll								
January to June rates	19.71%	23.34%	23.40%	22.78%	18.28%	19.30%	16.22%	14.48%
July to December rates	18.62%	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%

See accompanying notes to the required supplementary information.

Changes in benefit terms

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2025: No changes in benefit terms
2024: No changes in benefit terms.
2023: No changes in benefit terms.
2022: No changes in benefit terms.
2021: No changes in benefit terms.
2020: No changes in benefit terms.
2019: No changes in benefit terms.
2018: No changes in benefit terms.
2017: No changes in benefit terms.
2016: No changes in benefit terms.

Changes in assumptions

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2025: No changes.

2024: No changes.

2023: The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and included a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2023 Actuarial Experience Study for the Period Ending June 30, 2023”. The total pension liability as of June 30, 2023, is determined using these updated assumptions.

2022: No changes.

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who became “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

Changes in assumptions (continued)

2020: During the legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of total pension liability and only impacts the calculation of the contribution rates that would be payable starting July1, 2020. Additionally, House Bill 271 was enacted with removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the total pension liability to reflect this legislation.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the total pension liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the total pension liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

As of December 31	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of collective OPEB liability	0.022921%	0.021526%	0.021378%	0.021885%	0.023650%	0.022365%	0.021048%	0.021400%
District's proportionate share of collective net OPEB liability (asset)	$ 22,014	$ (37,236)	$ (29,516)	$ 431,903	$ 452,767	$ 540,047	$ 354,018	$ 379,953
District's covered - employee payroll	$ 749,557	$ 647,399	$ 613,651	$ 599,764	$ 597,525	$ 550,196	$ 514,861	$ 564,185
District's proportionate share of collective OPEB liability (asset) as a percentage of its covered-employee payroll	3405%	-1739%	-2079%	138.87%	131.97%	101.88%	145.43%	148.49%
Plan fiduciary net position as a percentage of total OPEB liability	97.66%	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%

See accompanying notes to the required supplementary information.

CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

For the year ended December 31	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required OPEB contribution	$ -	$ -	$ 10,575	$ 23,182	$ 34,666	$ 28,442	$ 27,540	$ 25,644
Contributions in relation to the contractually required contribution	-	-	10,575	23,182	34,666	28,442	27,540	25,644
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	769,161	749,557	647,399	$ 613,651	$ 599,764	$ 597,525	$ 550,196	$ 514,861
Contributions as a percentage of covered-employee payroll								
January to June rates	0.00%	0.00%	3.39%	4.17%	5.78%	4.76%	5.26%	4.70%
July to December rates	0.00%	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%

See accompanying notes to the required supplementary information.

CHRISTIAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
DECEMBER 31, 2025 and DECEMBER 31, 2024

Note to Schedule

Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

Changes of Benefit Terms

2025: Senate Bill 10, enacted during the 2025 Kentucky legislative session, amended certain CERS retiree health insurance benefit provisions. The legislation increased the monthly insurance benefit for eligible members who began participation on or after July 1, 2003 to $40 per month for nonhazardous CERS service and $50 per month for hazardous CERS service, effective January 1, 2026. These increases apply only when the member is not eligible for Medicare benefits and has met certain service thresholds at retirement. The legislation also increased the insurance member contribution rate for hazardous members from 1% to 2% of pay, effective July 1, 2026, and extended the required member contribution to certain CERS members hired on or after July 1, 2026, and extended the required member contribution to certain CERS member hired on or after July 1, 2003 but before September 1, 2008. No other plan provision changes materially impacted the total OPEB liability since June 30, 2024.

2024: No changes in benefit terms.
2023: No changes in benefit terms.
2022: No changes in benefit terms
2021: No changes in benefit terms
2020: No changes in benefit terms
2019: No changes in benefit terms.
2018: No changes in benefit terms (other than the blended discount rate used to calculate the total OPEB liability).

Changes in assumptions

2025: The discount rate used to calculate the total OPEB liability increased from 5.99% to 6.26% for non-hazardous and 6.02% to 6.24% for the hazardous plan.

2024: The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for non-hazardous and 5.97% to 6.02% for the hazardous plan.

2023: The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2023 Actuarial Experience Study for the Period Ending June 30, 2023”. Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The total OPEB liability as of June 30, 2023, is determined using these updated assumptions.

2022: The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

Changes of assumptions (Continued)

2021: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 8 of the financial statements. During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total OPEB liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

INTERNAL CONTROL AND COMPLIANCE

CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal Grantor/ Program Title	Federal Prefix ALN	Loans	Federal Expenditures	
U.S. Department of Agriculture				
Water and Water Disposal Systems for Rural Communities Cluster:				
Loans outstanding as of January 1, 2025	10.760	$ 1,904,500	$ 1,904,500	
Total U.S. Department of Agriculture				$ 1,904,500
U.S. Department of The Treasury				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	-	918,955	
Total U.S. Department of the Treasury				918,955
Total Expenditures of Federal Awards		$ 1,904,500		$ 2,823,455

See accompanying notes to Schedule of Expenditures of Federal Awards

CHRISTIAN COUNTY WATER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Christian County Water District (District) under programs of the federal government for the year ended December 31, 2025. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – LOANS

The District was awarded a loan from the United States Department of Agriculture in the amount of $1,800,000. The repayment schedule for this loan is located in the Notes to the Financial Statements under Note 5. The balance of the loan at December 31, 2025 was $1,591,000.

The District was awarded a loan from United States Department of Agriculture Rural Development in the amount of $400,000. The repayment schedule for this loan is located in the Notes to the Financial Statements under Note 5. The balance of the loan at December 31, 2025 was $271,500.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 15-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE E – RECONCILATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the Schedule of Expenditures of Federal Awards to the federal revenue included in the Statement of Revenues, Expenses and Changes in Net Position:

Total federal expenditures	$ 918,955
Outstanding federal loan balance at January 1, 2025	1,904,500
Total per SEFA	$ 2,823,455

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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*

Commissioners
Christian County Water District
Hopkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Christian County Water District as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Christian County Water District's basic financial statements, and have issued our report thereon dated June 8, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christian County Water District's financial statements are free of 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Christian County Water District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Christian County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Christian County Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DGA, PSC

DGA, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 8, 2026

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

Commissioners
Christian County Water District
Hopkinsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Christian County Water District'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 Christian County Water District's major federal programs for the year ended December 31, 2025. Christian County Water District'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, Christian County Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Christian County Water District 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 Christian County Water District'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 Christian County Water District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Christian County Water District'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 Christian County Water District'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 Christian County Water District'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 Christian County Water District'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 Christian County Water District'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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DGA, PSC

DGA, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 8, 2026

CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___yes _X_no

Significant deficiency(ies) identified? _X_yes ___none reported

Noncompliance material to financial statements noted? ___yes _X_no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___yes _X_no

Significant deficiency(ies) identified? ___yes _X_none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) ___yes _X_no

Identification of major federal programs:

Program Title	Federal Prefix ALN
Water and Waste Disposal Systems for Rural Communities Cluster	10.760

Dollar threshold to distinguish
Between type A and type B programs: $1,000,000

Auditee qualified as a low risk auditee? _X_yes ___no

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2025-001 Financial Reporting

Condition: There was inadequate design of internal controls over the preparation of the financial statements of the District.

Criteria: AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

Cause: Available funds do not allow for such staffing.

Effect: There was an increased risk that controls in place might not prevent, or detect and correct, misstatements in the financial statements.

Recommendation: The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures and take responsibility for these financial statements.

Views of Responsible Officials and Planned Corrective Actions: Management outsourced the preparation of their financial statements and the related notes to DGA, PSC. Management maintained responsibility for the financial statements and related notes and for the establishment of controls over the financial reporting process and acknowledged that outsourcing preparation of the financial statements and related notes does not relieve management of the responsibility for the financial statements. Management provided oversight for the financial statement preparation service by designating an individual within senior management who possesses suitable technical skill, knowledge and experience sufficient to (a) understand the financial statement preparation service enough to be able to provide general direction for the service; (b) understand the key issues the auditors identify; (c) make any required management decisions; and (d) evaluate the adequacy of, and accept responsibility for, the results of the auditors' work.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported

CHRISTIAN COUNTY WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2024-001 Financial Reporting

Condition: There was inadequate design of internal controls over the preparation of the financial statements of the District.

Recommendation: The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures and take responsibility for these financial statements.

Current Status: The finding was repeated for the fiscal year ending December 31, 2025 and 2024.