

**DEXTER-ALMO HEIGHTS
WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2025**

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Board of Commissioners

Joe Dan Taylor	Commissioner
Bradley Smith	Commissioner
Randy McCallon	Commissioner

Management

Pam Cole	Office Manager
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SOUTHERN OAK
CPA GROUP, PLLC

Nathan L. Crafton, CPA
Julie A. Keller, CPA
Ben Austin, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Dexter-Almo Heights Water District
Almo, Kentucky

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Dexter-Almo Heights Water District, Almo, Kentucky, as of and for the year ended December 31, 2025, and the related notes to the financial statements, as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dexter-Almo Heights Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Dexter-Almo Heights 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 auditor's 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dexter-Almo Heights 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 Dexter-Almo Heights 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 on pages five through six 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dexter-Almo Heights Water District's basic financial statements. The introductory section and supplementary information section, as listed in table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Debt Retirement and Schedule of Utility Rates and Customers are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of Debt Retirement and the Schedule of Utility Rates and Customers are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of Dexter-Almo Heights Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dexter-Almo Heights Water 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 Dexter-Almo Heights Water District's internal control over financial reporting and compliance.

Southern Oak CPA Group

Murray, Kentucky
March 30, 2026

DEXTER-ALMO HEIGHTS WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

As management of the Dexter-Almo Heights Water District, Almo, Kentucky (District), we offer readers of the Dexter-Almo Heights Water District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follows this narrative.

Financial Highlights

- The assets of the Dexter-Almo Heights Water District exceeded its liabilities at the end of the fiscal year by \$1,429,154 net position.
- The District's total net position increased by \$8,494.
- Operating revenues were \$404,902, an increase of \$29,948 compared to the prior year.
- Operating expenses were \$478,375, a decrease of \$5,526 compared to the prior year.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the Dexter-Almo Heights Water District's basic financial statements. The basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. In addition to the basic financial statements, this report also contains supplementary information that will enhance the reader's understanding of the financial condition of the District.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds are accounted for as proprietary funds.

Proprietary funds are used by governments who are financed and operated in a matter similar to private business enterprises, where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. These statements offer short-term and long-term financial information about its activities. The Dexter-Almo Heights Water District maintains only one type of proprietary fund; an enterprise fund (the Water Fund).

The *Statement of Net Position* presents the financial position of the District on a full accrual historical cost basis. The statement includes all of the District's assets and liabilities, with the difference reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financial, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

DEXTER-ALMO HEIGHTS WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Financial Analysis

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District, and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases and decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic condition, customer growth, and legislative mandates.

The District's total net position increased by \$8,494 during the fiscal year ended December 31, 2025. The analysis below focuses on the District's net position and changes in net position during the year.

**Dexter-Almo Height Water District's Net Position
December 31, 2025 and 2024**

	Total Business Type		Increase (Decrease)	
	Activities		\$	%
	2025	2024		
Current and Other Assets	\$ 36,772	\$ 56,931	\$ (20,159)	-35.41%
Capital Assets, Net	1,518,419	1,488,493	29,926	2.01%
Total Assets	<u>1,555,191</u>	<u>1,545,424</u>	<u>9,767</u>	<u>0.63%</u>
Current Liabilities	34,692	33,419	1,273	3.81%
Long-Term Liabilities	91,345	91,345	-	0.00%
Total Liabilities	<u>126,037</u>	<u>124,764</u>	<u>1,273</u>	<u>1.02%</u>
Net Investment in Capital Assets	1,427,074	1,397,148	29,926	2.14%
Unrestricted	2,080	23,512	(21,432)	-91.15%
Total Net Position	<u>\$1,429,154</u>	<u>\$1,420,660</u>	<u>\$ 8,494</u>	<u>0.60%</u>

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the years presented.

**Dexter-Almo Heights Water District's Changes in Net Position
For the Year Ended December 31, 2025 and 2024**

	Total Business Type		Increase (Decrease)	
	Activities		\$	%
	2025	2024		
Operating Revenues	\$ 404,902	\$ 374,954	\$ 29,948	7.99%
Nonoperating Revenues	-	-	-	
Total Revenues	<u>404,902</u>	<u>374,954</u>	<u>29,948</u>	<u>7.99%</u>
Operating Expenses	478,375	483,901	(5,526)	-1.14%
Nonoperating Expenses	3,946	3,031	915	30.19%
Total Expenses	<u>482,321</u>	<u>486,932</u>	<u>(4,611)</u>	<u>-0.95%</u>
Change In Net Position	(77,419)	(111,978)	34,559	-30.86%
Net Position - Beginning of Year	1,420,660	1,078,197	342,463	31.76%
Donated Capital	85,913	454,441	(368,528)	-81.09%
Net Position - End of Year	<u>\$1,429,154</u>	<u>\$1,420,660</u>	<u>\$ 8,494</u>	<u>0.60%</u>

DEXTER-ALMO HEIGHTS WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Operating revenues showed a 7.99% increase from 2024 to 2025. Operating expenses decreased by 1.14% from 2024, with most of the decrease being related to ordinary operating expenses. Ending net position showed an overall increase of 0.60%

For the year ended December 31, 2025, budgeted total revenue was \$437,283. Actual revenues of \$404,902 fell short of budgeted revenues by \$32,381. For the year ended December 31, 2025, budgeted total expenses were \$454,085. Actual expenses for the year were \$478,375 and exceeded budget by \$24,290. There was no amendment to the budget.

Capital Assets

As of December 31, 2025, the District had \$1,518,419 (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes land, land improvements, plants in service, buildings, improvements, vehicles, and office equipment. This investment represents an overall increase (net of increases and decreases) of \$29,926 from last year. The following table summarizes the District's capital assets and changes therein, for the years presented.

Dexter-Almo Heights Water District's Capital Assets

	Total Business Type		Increase (Decrease)	
	Activities		\$	%
	2025	2024		
Land	\$ 11,996	\$ 11,996	\$ -	0.00%
Land Improvements	12,540	12,540	-	0.00%
Plants in Service	2,145,209	2,145,209	-	0.00%
Construction Work in Progress	73,738	-	73,738	100.00%
Buildings and Improvements	26,679	26,679	-	0.00%
Vehicles	80,944	80,944	-	0.00%
Office Equipment	14,291	14,291	-	0.00%
Capital Assets	<u>2,365,397</u>	<u>2,291,659</u>	<u>73,738</u>	3.22%
Less Accumulated Depreciation	<u>846,978</u>	<u>803,166</u>	<u>43,812</u>	5.45%
Net Capital Assets	<u>\$1,518,419</u>	<u>\$1,488,493</u>	<u>\$ 29,926</u>	2.01%

Long-term Liabilities

At the end of the fiscal year ended December 31, 2025, the District had \$91,345 of installment debt.

Note Number	Original Balance	Terms	Rate	Payment	Maturity	Year End Balance
82016	\$ 55,000	2 Year Balloon	8.00%	Due at Maturity	4/15/2026	\$ 51,345
93056	\$ 40,000	24 Months	7.40%	Due at Maturity	12/30/2026	\$ 40,000

Economic Factors and Next Year's Rates

A rate increase was approved as of November 1, 2025. Updated rates can be found on page 19 of this report

Request for Information

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information in the report or requests for any additional information should be directed to the Office Manager of Dexter-Almo Heights Water District, 351 Almo Rd., Almo, Kentucky 38254.

DEXTER-ALMO HEIGHTS WATER DISTRICT
 STATEMENT OF NET POSITION
 DECEMBER 31, 2025

	Business-type Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,110
Restricted Cash	11,804
Trade Accounts Receivable, Net	21,858
Capital Assets, Net	1,518,419
Total Assets	1,555,191
 LIABILITIES	
Accounts Payable	20,128
Accrued Taxes	2,760
Customer Meter Deposits	11,804
Notes Payable - The Murray Bank	91,345
Total Liabilities	126,037
 NET POSITION	
Net Investment in Capital Assets	1,427,074
Unrestricted	2,080
Total Net Position	\$ 1,429,154

See independent auditor's report and notes to financial statements

DEXTER-ALMO HEIGHTS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-type Activities
Operating Revenues	
Water Service (net)	\$ 404,902
Non Utility Income	-
Total Operating Revenues	404,902
Operating Expenses	
Water Purchases	180,244
Operating Supplies	16,961
Water Testing	5,824
Taxes & Licenses	250
Utilities	2,012
Commissioner Fees	10,800
Salaries and Wages	124,040
Maintenance & Contractual Services	24,359
Equipment Rental	2,447
Employee Benefit	1,093
Postage and Office Supplies	18,383
Legal and Professional	7,371
Insurance	8,687
Advertising	1,976
Telephone	2,265
Training	2,433
Payroll Taxes	10,340
Miscellaneous	7,662
Vehicle Expense	7,416
Depreciation	43,812
Total Operating Expenses	478,375
Operating Income (Loss)	(73,473)
Non-operating Revenues (Expenses)	
Interest Income	-
Interest Expense	(3,946)
Total Non-operating Revenues (Expenses)	(3,946)
Change in Net Position	(77,419)
Net Position, Beginning of Year	1,420,660
Donated Capital	85,913
Net Position, End of Year	\$ 1,429,154

See independent auditor's report and notes to financial statements

DEXTER-ALMO HEIGHTS WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 403,823
Cash Paid to Suppliers of Goods and Services	(305,656)
Cash Paid to Employees and Commissioners	(134,840)
Net Cash Provided by Operating Activities	<u>(36,673)</u>
Cash Flows from Investing Activities	
Fixed Asset Additions	<u>(73,738)</u>
Net Cash Provided by Investing Activities	<u>(73,738)</u>
Cash Flows from Financing Activities	
Donated Capital	<u>85,913</u>
Net Cash Provided by Financing Activities	<u>85,913</u>
Net Increase in Cash and Cash Equivalents	(24,498)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>39,412</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u><u>\$ 14,914</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Change in Net Position	\$ (77,419)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	43,812
Changes in Assets and Liabilities:	
Accounts Receivable	(4,339)
Accounts Payable	(785)
Accrued Taxes	(1,202)
Customer Deposits	<u>3,260</u>
Total Adjustments	40,746
Net Cash Provided by Operating Expenses	<u>\$ (36,673)</u>
Reconciliation of Cash and Cash Equivalents	
Cash and Cash Equivalents	<u><u>\$ 14,914</u></u>

See independent auditor's report and notes to financial statements

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Dexter-Almo Heights Water District is a de jure Water District, situated wholly in Calloway County, Kentucky, and exists by virtue of a Judgment and Order of the Calloway County Fiscal Court.

On April 24, 1964, the Commissioners of Dexter-Almo Heights Water District adopted a resolution providing for the construction and installation of a water-works system in and for said District, and authorizing the issuance of Waterworks System Revenue Bonds to provide for the costs thereof. On May 22, 1964, bonds in the amount of \$225,000 were sold and construction of the system was completed in December 1964. During the calendar year 1976, the District received funds from the Kentucky Highway Department for relocation of water lines. Existing lines were included in property acquired by the Kentucky Highway Department to be used in construction of a four-lane highway from Murray to Benton, Kentucky. Said funds were used to offset the cost of laying new lines to replace those lost to the Highway Department. Additional funds were received during 1979 from the Kentucky Highway Department for relocation of other water lines due to the relocation mentioned above. These additional funds were also used to offset the cost of laying new lines and replacing those lost to the Highway Department.

A. Reporting Entity

Dexter-Almo Heights Water District, for financial statement purposes, includes all of the assets and liabilities relevant to the operations of the District. The financial statements presented herein do not include any other agencies, organizations, or component units; including the City of Almo, Kentucky.

B. Fund Financial Statements

An enterprise fund is a type of proprietary fund used to account for the operations of the Dexter-Almo Heights Water District, which is financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing services be financed or recovered primarily through user charges.

The District reports only one fund, which is a proprietary fund. The Water Fund accounts for water services provided to customers. All revenues are derived from fees charged for monthly water usage.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources of economic resources. The basis of accounting indicates the timing of transactions or events in recognition in the financial statements.

The District's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the District conform to applicable accounting principles generally accepted in the United States of America, as defined by the *Governmental Accounting Standards Board (GASB)*.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Trade Accounts Receivable

Trade accounts receivable results from unpaid billings for water sales and service to customers. All trades receivable is shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the District is based on past history of uncollectible accounts and management's analysis of current accounts.

Inventories and Prepaid Items

All inventories, principally materials and supplies, are valued as cost. These costs are recorded as expenses when acquired. Inventory on hand at the end of the period is recorded as an asset (purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets, which include land, land improvements, plants in service, buildings, improvements, equipment, and vehicles are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated market value at the date of the donation.

Additions, improvements, and other capital expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District has no policy on capitalization of interest on fixed assets. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land Improvements	20
Plants in Service	20-62.5
Building and Improvements	10-39
Vehicles	10
Office Equipment	5-10

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position (Continued)

Net Position

Net position represents the difference between assets and liabilities. In the District's financial statements, net position should be reported in one of three categories: net investment in capital assets, restricted, or unrestricted.

Net position reported as "net investment in capital assets" represents total capital assets, net of accumulated depreciation, and net of long-term borrowing attributable to acquisition, construction, or improvement of capital assets, if applicable. Unspent proceeds of borrowings made for capital investment should not be considered in calculating the amount of investment in capital assets. Such unspent proceeds and the related debt would be included in calculating restricted net position. The District had a "net investment in capital assets" position of \$1,427,074 as of December 31, 2025.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by laws through constitutional provisions or enabling legislation. The District did not have a restricted position as of December 31, 2025.

Unrestricted net position contains those that do not meet the definition of "net investment in capital assets" or "restricted", as described above. Management's designation of unrestricted net assets (typically, designations of fund balances) should not be reported on the face of the statements of net position; however, these designations can be disclosed in the notes to the financial statements. The District had an unrestricted position of \$2,080 as of December 31, 2025.

E. Accrued Compensated Absences

Compensation for accumulated vacation days was not considered to be material and has not been recorded as a liability in the financial statements. Employees awarded vacation days routinely use the days in the year they are awarded and do not carry forward any days.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

The District maintains its cash deposits in accounts at a local bank. At year-end, the carrying amount of the District's deposits was \$14,714 and the combined bank balances were \$42,778. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per bank.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or that the District will not be able to recover collateral securities in the possession of an outside party. Therefore, as of December 31, 2025, none of the District's deposited funds were exposed to custodial credit risk.

The District retains a meter fund, which is considered restricted. The purpose of these funds is to pay back refundable meter deposits. As of December 31, 2025, the bank balance in the meter fund was \$12,652. This balance is available to return refundable deposits.

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE 3 – ACCOUNTS RECEIVABLE - TRADE

Accounts receivable – trade as of December 31, 2025 were made up of the following:

Receivable from Customers	<u>\$ 21,858</u>
Total	<u><u>\$ 21,858</u></u>

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital asset changes for the year ended December 31, 2025:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 11,996			\$ 11,996
Total capital assets not being depreciated	<u>11,996</u>	<u>-</u>	<u>-</u>	<u>11,996</u>
Capital assets, being depreciated				
Land Improvements	12,540	-	-	12,540
Plants in Service	2,145,209	-	-	2,145,209
Construction Work in Progress	-	73,738	-	73,738
Buildings and Improvements	26,679	-	-	26,679
Vehicles	80,944	-	-	80,944
Office Equipment	14,291	-	-	14,291
Total capital assets being depreciated	<u>2,279,663</u>	<u>73,738</u>	<u>-</u>	<u>2,353,401</u>
Less accumulated depreciation:				
Land Improvements	12,540	-		12,540
Plant in Service	733,965	35,679		769,644
Buildings and Improvements	24,841	599		25,440
Vehicles	20,330	6,494		26,824
Office Equipment	11,490	1,040		12,530
Total accumulated depreciation	<u>803,166</u>	<u>43,812</u>	<u>-</u>	<u>846,978</u>
Total capital assets being depreciated, net	<u>1,476,497</u>			<u>1,506,423</u>
Total capital assets, net	<u>\$ 1,488,493</u>			<u>\$ 1,518,419</u>

DEXTER-ALMO HEIGHTS WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2025

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended December 31, 2025, was \$43,812, all of which is attributed to the Water Fund.

NOTE 5 – PAYABLES AND ACCRUALS

Accounts payable and accrued taxes include amounts due to vendors, contractors, or governmental agencies as of December 31, 2025. As of December 31, 2025, the total payables and accruals totaled \$20,128 and \$2,760 respectively.

NOTE 6 – NOTES PAYABLE

The District obtained an installment note to finance the purchase of a new Ford F250 in April, 2024. The note is a 2 year balloon term (amortized over 6 years), at 8%, with a maturity date of April 15, 2026. Semi-annual payments of \$5,861.13 are required until maturity.

The District obtained financing to assist with operating activities in the amount of \$40,000 in November, 2024. The note has a term of 24 months at 7.4% interest. All principal and interest are due at the maturity date of December 30, 2026.

A summary of changes in the long-term liabilities of the District at December 31, 2025 is as follows:

Amount Outstanding 1/1/2025	Issued, Current Year	Retired, Current Year	Amount Outstanding 12/31/2025
\$ 91,345	\$ -	\$ -	\$ 91,345

The debt service requirements on the above note are as follows:

Ending December 31	Principal	Interest	Total
2026	91,345	8,200	99,545
Total	<u>\$ 91,345</u>	<u>\$ 8,200</u>	<u>\$ 99,545</u>

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE 7 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The District incurred no material violation of finance related legal and contractual provisions.

Net Position Deficit

The District did not have deficit net position balances at December 31, 2025.

NOTE 8 – CONTINGENCIES AND UNCERTAINTIES

There are currently no known pending litigations, contingencies or uncertainties against Dexter-Almo Heights Water District.

NOTE 9 – RELATED PARTY TRANSACTIONS

During audit inquiries and review of related financial data, there were no material transactions with any related parties during the current year under audit.

NOTE 10 – RISK MANAGEMENT AND INSURANCE

The District is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees, and natural disasters. The District has elected to obtain various insurance policies to transfer risks to commercial insurance companies. Claims have not exceeded insurance coverage in any of the preceding three years.

NOTE 11 – CONCENTRATIONS

Dexter-Almo Heights Water District operates in Calloway County, Kentucky. Due to the concentrations in a particular geographical location, there is a risk that if this specific geographical location were to face economic hardship, participants may relocate and revenues could decrease significantly.

NOTE 12 – SUBSEQUENT EVENTS

Dexter-Almo Heights Water District has evaluated subsequent events through March 30, 2026, the date on which the financial statements were available to be issued. Restitution related to the questioned costs has been made in the amount of \$2,565.56. The board of commissioners is actively investigating and anticipates the remaining \$2,274.96 is recoverable.

SUPPLEMENTARY INFORMATION

DEXTER-ALMO HEIGHTS WATER DISTRICT
 SCHEDULE OF DEBT RETIREMENT
 FOR THE YEAR ENDED DECEMBER 31, 2025

Fiscal Year Ended December 31	Requirements for the Year Ending December 31		
	Principal	Interest	Total
2026	91,345	8,200	99,545
Total	\$ 91,345	\$ 8,200	\$ 99,545

See independent auditor's report

DEXTER-ALMO HEIGHTS WATER DISTRICT
SCHEDULE OF UTILITY RATES AND CUSTOMERS
FOR THE YEAR ENDED DECEMBER 31, 2025

Water Rates:

	<u>All Customers</u>	
First 2,000 gallons	\$ 26.49	
Next 3,000 gallons	\$ 10.45	Per 1,000 gallons
Next 5,000 gallons	\$ 9.24	Per 1,000 gallons
Next 10,000 gallons	\$ 8.72	Per 1,000 gallons
Over 20,000 gallons	\$ 7.01	Per 1,000 gallons

Customers: 885

See independent auditor's report

**ADDITIONAL REPORTS REQUIRED BY
*GOVERNMENTAL AUDITING STANDARDS***



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

To the Board of Commissioners
Dexter-Almo Heights Water District
Almo, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Dexter-Almo Heights Water District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Dexter-Almo Heights Water District's basic financial statements and have issued our report thereon dated March 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dexter-Almo Heights Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dexter-Almo Heights Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Dexter-Almo Heights 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as items 2025-001 that we consider to be material weaknesses.

DEXTER-ALMO HEIGHTS WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dexter-Almo Heights Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-001.

Dexter-Almo Heights Water District's Response to Findings

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

Purpose of this Report

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

Southern Oak CPA Group

Southern Oak CPA Group, PLLC

Murray, Kentucky

March 30, 2026

DEXTER-ALMO HEIGHTS WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

2025-001 – Lack of financial reporting oversight

Condition: During the audit period, it was discovered that multiple payroll checks issued to a District employee cleared the District's bank account twice. Financial reporting oversight by the board was not sufficient to detect this improper activity in a timely manner. The duplicate payroll payments were processed and recorded without independent review, allowing the error to occur and continue until identified.

The total amount of duplicate disbursements reported as payroll expense was \$4,840.52.

Criteria: Effective internal control standards require proper segregation of duties or appropriate compensating controls to ensure that no one individual has control over authorization, processing, and recording of transactions. Governing bodies are responsible for oversight of the financial reporting process and internal control environment to reduce the risk of fraud, waste, and abuse.

Cause: The cause of this finding was insufficient financial reporting oversight by the Board and a lack of independent review of payroll activity and bank transactions. The District has limited resources, a small office staff, and part time commissioners which results in limited segregation of duties and a lack compensating controls. This increases risk that payroll irregularities will not be detected on a timely basis.

Effect: As a result of the lack of effective oversight and internal controls, duplicate payroll payments totaling \$4,840.52 were issued and cleared the District's bank account. This condition resulted in improper disbursement of District funds and increased the risk of financial loss.

Questioned Costs: The total amount of questioned costs related to this finding is \$4,840.52. As of the audit report date, \$2,565.56 has been recovered from the employee. Management and the Board reasonably expect the remaining balance to be recovered.

Recommendation: We recommend the District strengthen Board oversight of financial reporting by implementing regular reviews of payroll registers, bank statements, and reconciliations. The District should also improve segregation of duties or implement documented compensating controls where staffing limitations exist to reduce the risk of duplicate or unauthorized payments.

Board Response: The Board concurs with the audit finding. Upon discovery of the duplicate payroll payments, the Board promptly began and continues to investigate the matter and has begun recovery efforts. To date, \$2,565.56 of the \$4,840.52 has been recovered, and the Board believes the remaining balance is reasonably expected to be collected.

The Board is taking steps to enhance financial reporting oversight, including increased review of payroll activity and bank reconciliations. Additional internal control procedures and monitoring will be implemented to help prevent similar occurrences in the future. The Board is committed to strengthening internal controls and safeguarding District funds.