Elkhorn Water District
Independent Auditor's Report
For Years Ended December 31, 2025 and 2024

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ELKHORN WATER DISTRICT

INDEPENDENT AUDITOR'S REPORT

December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Members of the Elkhorn Water District Board
Frankfort, Kentucky 40601

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Elkhorn 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 the Elkhorn Water 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 the governmental activities, and each major fund, of the Elkhorn Water District, as of December 31, 2025 and 2024, and the respective changes in financial position 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 the Elkhorn 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 the Elkhorn 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 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Elkhorn 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 Elkhorn 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2026, on our consideration of the Elkhorn 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Elkhorn Water District Board's internal control over financial reporting and compliance.

Rick R. Waddle, Jr., CPA, Partner
Waddle & Graham, CPA's, PLLC

Frankfort, Kentucky
July 14, 2026

Elkhorn Water District
Statements of Revenues, Expenses, And
Changes In Net Position
For The Years Ended December 31, 2025 and 2024

	2025	2024
Operating Income		
Water Revenue	$ 443,990	$ 436,992
Total Operating Income	443,990	436,992
Operating Expenses		
Purchased Water	200,101	176,650
Purchased Power	10,557	8,380
Contractual Services	38,534	54,750
Advertising	664	1,293
Payroll taxes	474	551
Postage	5,038	4,429
Maintenance	32,608	25,579
Office Supplies	14,855	6,889
Insurance	7,231	4,296
Legal & Professional	18,205	8,920
Commissioner's Fees	7,151	8,115
Chemical & Lab Analysis	2,300	2,750
Miscellaneous	9,432	6,573
Administrative Fee	28,575	27,731
Depreciation	38,656	36,048
Total Operating Expenses	414,381	372,954
Operating Income	29,609	64,038
Net Operating Revenue (Expenses)		
Interest Revenue	1,457	2,109
Interest Expense	(4,299)	(4,762)
Total Non-Operating Revenue (Expenses)	(2,842)	(2,653)
Net Income Before Contributions	26,767	61,385
Capital Contributions	5,670	4,632
Change In Position	32,437	66,017
Net Position - Beginning of Year	543,663	477,646
Net Position - End of Year	$ 576,100	$ 543,663

The accompanying notes are an integral part of these financial statements

Elkhorn Water District
Statements of Net Position
December 31, 2025 and 2024

Assets	2025	2024
Current Assets		
Cash in Bank and on Hand	$ 106,298	$ 142,007
Investments at Cost	84,649	84,438
Accounts Receivable	34,999	36,671
Total Current Assets	225,946	263,116
Non-Current Assets		
Restricted Assets - Cash	61,200	53,410
Property, Plant, & Equipment		
Property, Plant, & Equipment	2,374,217	2,160,383
Accumulated Depreciation	(1,246,789)	(1,208,133)
Total Property, Plant & Equipment	1,127,428	952,250
Total Non-Current Assets	1,188,628	1,005,660
Total Assets	$ 1,414,574	$ 1,268,776
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	$ 21,398	$ 20,372
Accrued Interest Payable	2,149	
Accrued Taxes Payable	1,611	1,428
Current Portion of Bonds Payable	19,500	-
Total Current Liabilites	44,658	21,800
Long Term Liabilites		
KIA Loan	731,416	621,415
Bonds Payable	62,400	81,900
Total Long Term Liabilites	793,816	703,315
Total Liabilites	838,474	725,115
Net Position		
Investment in Capital Assets, Net of Related Debt	314,112	248,936
Restricted	61,200	53,410
Unrestricted	200,788	241,316
Total Net Assets	576,100	543,662
Total Liabilites and Net Assets	$ 1,414,574	$ 1,268,777

The Accompanying Notes are an integral part of these financial statements.

Elkhorn Water District
Statements of Cash Flows
For The Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Cash Received From Customers	$ 445,661	$ 432,653
Cash Payments for Employee Services and Benefits	(7,625)	(8,666)
Cash Payments to Suppliers for Goods and Services	(366,892)	(326,298)
Net Cash Provided (Used) by Operating Activities	71,144	97,689
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(213,832)	(122,435)
Capital Contributions Received	5,670	4,632
Government Grants Received	-	-
KIA Loan Proceeds	731,416	621,415
Bond and Bond Interest Payments	(623,565)	(634,977)
Net Cash Provided (Used) by Capital and Related Financing Activities	(100,311)	(131,365)
Cash Flows From Investing Activities:		
Investment Income Received	1,457	2,109
Cash Purchases of Investments	(211)	(211)
Net Cash Provided (Used) by Investing Activities	1,246	1,898
Net Increase (Decrease) in Cash & Cash Equivalents	(27,921)	(31,778)
Cash and Cash Equivalents, Beginning of Year	195,419	227,197
Cash and Cash Equivalents, End of Year	$ 167,498	$ 195,419
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities		
Operating Income (Loss)	$ 29,609	$ 64,038
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities:		
Depreciation	38,656	36,048
(Increase)/Decrease in Accounts Receivable	1,672	(4,338)
Increase/(Decrease) in Accounts Payable	1,026	1,938
Increase/(Decrease) in Accrued Liabilities	182	4
Net Cash Provided (Used) by Operating Activities	$ 71,145	$ 97,690
Components of Cash on the Statement of Net Position		
Cash	$ 106,298	$ 142,007
Restricted Cash	61,200	53,410
	$ 167,498	$ 195,417

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

Note A - Summary of Significant Accounting Policies

The Elkhorn Water District (the District) was organized in 1974 to provide water service to residents of it's district. It is a political subdivision of Franklin County, Kentucky and purchases water from the Frankfort Plant Board for resale to the residents. The District is subject to the regulatory authority of Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

Assets and Liabilities, and revenues and expenses are recognized on the accrual basis of accounting. The District incorporates current GASB pronouncements in its proprietary fund activities. The District does not utilize encumberance accounting in its proprietary fund activities. The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted, and unrestricted components.

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

The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case , GASB prevails.

Operating revenue and expenses consist of revenue and expenses directly related to providing water service to residents of the district. Water revenues are reflected as earned when the customers are billed. Non-operating revenue and expenses consist of interest revenue and interest expenses related to capital and related financing activities. Capital contributions consist of water meters purchased during the year.

The District does not have an allowance for uncollectible accounts. The District writes off balances due when they become uncollectible.

Fixed Assets are recorded at cost and depreciated using the straight-line method at the following rates:

Pumps, lines, and meters	2.50%
Tanks	3.00%
Office Equipment	10.00%
Meter testing equipment	10.00%

Land and land rights are not subject to depreciation. The District capitalizes interest cost incurred during construction of fixed assets.

Investments are stated at cost, which approximates fair value, unless the market value is less than cost and there is evidence the decline in market value is due to other than temporary conditions.

Note B - Cash and Investments

Statutory Requirements

Kentucky Revised Statute 66.480 authorizes the District to invest in obligations of the U.S. treasury, and U.S. agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principle, plus accrued interest.

The District's deposits and investments at December 31, 2025 and 2024 were covered by Federal Depository Insurance and pledged collateral.

The table presented below is designed to disclose the level of custody credit risk assumed by the District, based upon how its deposits were insured or secured with collateral at December 31, 2025 and 2024. The categories of credit risk are defined as follows:

1) Insured by the FDIC or collateralized with securities held by government or by its agent in the governments name.
2) Collateralized with securities held by pledging financial institution's trust department or agent in the government's name.
3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the governments name.

	CATEGORY			Total Bank	Total Carrying
2025 Type of Depsoit	1	2	3	Amount	Amount
Cash	$ 165,351.00	$ 2,137.00	$ -	$ 167,498.00	$ 167,498.00
Certificate of Deposit	84,649.00	-	-	84,649.00	84,469.00
	$ 250,000.00	$ 2,137.00	$ -	$ 252,147.00	$ 251,967.00

	CATEGORY			Total Bank	Total Carrying
2024 Type of Deposit	1	2	3	Amount	Amount
Cash	$ 195,417.00	$ -	$ -	$ 195,417.00	$ 195,417.00
Certificate of Deposit	84,438.00	-	-	84,438.00	84,438.00
	$ 279,855.00	$ -	$ -	$ 279,855.00	$ 279,855.00

Statement of Cash Flows

The Statement of Cash Flows includes the following as cash and cash equivalents:

	2025	2024
Cash		
Operations & Maintenance Fund	$ 7,302	$ 13,791
Revenue Fund	93,883	121,152
Bond Account	5,113	7,064
Total Cash in Bank	106,298	142,007
Investments		
CD	84,649	84,438
Restricted Cash		
Sinking Fund	2,982	1,158
Reserve Fund	16,154	36,231
Construction Account	42,064	25,982
Total Restricted Cash	61,200	63,371
Total Cash & Cash Equivalents	$ 252,147	$ 289,816

Note C - Accounts Payable

Accounts payable at December 31, 2024 and 2023 consist of the following:

	2025	2024
Water Purchases	15307	13948
Electric	1043	997
Chemicals	430	590
Accounting	105	105
Office Expense	1181	423
Repairs & Maintenance	1952	4309
Membership Dues	1380	0
Postage	0	0
Utilities & Telephone	0	0
TOTAL	$21,398	$20,372

Most Accounts were paid in January or February, 2026, and all checks cleared the bank.

Note D- Insurance and Related Activities

The District is exposed to various forms of loss related to torts, theft of, damage to, and destruction of assets; errors and ommissions; injuries to emplyees; and natural disasters. The District carries general liability and commercial insurance. Settlement claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note E - Purchased Water Contracts

The Elkhorn Water District purchases treated water from the Frankfort Plant Board as the District does not produce it's own water.

Note F - Long-Term Debt

In December 1993 the District issued and sold $200,000 of USDA Rural Development Bonds for the purpose of extending water service to other customers. The bonds pay interest at 5.25% and mature ratably through the year 2032. The District's annual principle payments are due January 1st of each year. The District paid it's principle and interest requirement for January 1, 2025 at December 31, 2024. The following is a summary of the bonds and notes outstanding for the District for the year ended Decenber 31, 2025:

USDA, Rural Development Bond - $200,000, date December 6, 1993 with payments through 2032, bearing interest at a rate of 5.25%:	$ 81,900
Less Current Portion of Debt	19,500
Long-Term Debt	$ 62,400

The outstanding amount of the bonds were $81,900 at December 31, 2025 and $81,900 at December 31, 2024. The annual debt service requirements to retire the bonds outstanding at December 31, 2025 for each of the next five years and in remaining five year increments are as follows:

Year Ending	Bond/Note Principle	Bond/Note Interest	Total
2026	19,500	3,806	23,306
2027	10,800	3,276	14,076
2028	11,500	2,708	14,208
2029	12,400	2,104	14,504
Thereafter	27,700	2,214	29,914
Total	$ 81,900	$ 14,108	96,008

Changes in Long-Term Debt: **December 31, 2025**

Long-term Debt	31-Dec-24	Additions	Retirements	31-Dec-25	Current Retirement
Bond	$ 81,900	$ -	$ -	$ 81,900	$ 19,500
KIA	$ 621,415	$ 110,001		$ 731,416	$ -
TOTAL	$ 703,315	$ 110,001		$ 813,316	$ -

Changes in Long-Term Debt: **December 31, 2024**

Long-term Debt	31-Dec-23	Additions	Retirements	31-Dec-24	Current Retirement
Bond	$ 90,700.00	$ -	$ (8,800.00)	$ 81,900.00	$ -
KIA	$ 621,415.00			$ 621,415.00	
TOTAL	$ 712,115.00		$ (8,800.00)	$ 703,315.00	$ -

Note G - Reserves

Debt Service Reserve - There is to be a monthly deposit of $130 until a balance of $15,600 is accumulated for all bond issues. The Reserve Fund balance totaled $16,154 at December 31, 2025 and $16,021 at December 31, 2024, and are included in Restrictions of Net Assets for December 31, 2025 and 2024.

Note H - Concentrations of Credit Risk

The District had cash, and cash equivalents in excess of FDIC insurance as of December 31, 2025.
All cash and cash equivalent amounts were category 1 credit risk, or were covered by bank pledged collateral.

Note I - Related Party Transactions

The District utilized the services of Gatewood Water Service as an independent contractor in 2025, and 2024.
The District utilized the services of the Peaks Mill Water District for administrative support in 2025, and 2024.

Note J - Management's Review of Subsequent Events

Management did not indicate financially impacting information regarding subsequent events. An evaluation of subsequent events through July 14, 2026, found no events that have a material effect regarding the accompanying financial statements for the years ended December 31, 2025, & 2024.

Note K - Property, Plant, & Equipment

Capital Assets Being Depreciated

Description	December 31, 2024	Additions	Retirements	December 31, 2025
Pumps, Lines, & Meters	1,829,106	213,834	-	2,042,940
Tanks	299,947	-	-	299,947
Meters	16,352	-	-	16,352
Office Equipment	8,798	-	-	8,798
Intangible Asset-KIA Project	5,180	-	-	5,180
Total	$ 2,159,383	$ 213,834	$ -	$ 2,373,217
Less: Accumulated Depreciation	1,208,133	38,656	-	1,246,789
Net Depreciable Assets	951,250	175,178	-	1,126,428
Land	1,000		-	1,000
Total Capital Assets, Net	$ 952,250	$ 175,178	$ -	$ 1,127,428

Capital Assets Being Depreciated

Description	December 31, 2023	Additions	Retirements	December 31, 2024
Pumps, Lines, & Meters	1,706,669	122,437		1,829,106
Tanks	299,947	-		299,947
Meters	16,352	-		16,352
Office Equipment	8,798			8,798
Intangible Asset-KIA Project	5,180	-		5,180
Total	$ 2,036,946	$ 122,437	$ -	$ 2,159,383
Less: Accumulated Depreciation	1,172,085	36,048		1,208,133
Net Depreciable Assets	864,861	86,389		951,250
Land	1,000			1,000
Total Capital Assets, Net	$ 865,861	$ 86,389		$ 952,250

Depreciation for the years ended December 31, 2025 and 2024 was $38,565 and $36,048.

Note L-Interest Expense

Interest expense incurred and charged to expense for the years ended December 31, 2025 and 2024 was $4,299 and $4,762. Interest of $19,239 was capitalized in 2025 and interest of $18,379 was capitalized in 2024.

Note M-Schedule of Annual Debt Requirements

Issue: 1997 Issue (91-03)

Year End	Bond Prin. Due January 1, 2026	Interest January 1, 2026	Interest July 1, 2026	Total Interest	Total Requirements
2026	19,500	1,903	1,903	3,806	23,306
2027	10,800	1,638	1,638	3,276	14,076
2028	11,500	1,354	1,354	2,708	14,208
2029	12,400	1,052	1,052	2,104	14,504
2030	13,200	727	727	1,454	14,654
2031	14,500	380	380	760	15,260
	$ 81,900	$ 7,054	$ 7,054	$ 14,108	$ 96,008

Supplementary Information

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*

Elkhorn Water District
Frankfort, 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 governmental activities, and each major fund, of the Elkhorn 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 the Elkhorn Water District's basic financial statements, and have issued our report thereon dated July 14, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Elkhorn 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 the Elkhorn Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elkhorn 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Rick R. Waddle Jr., CPA, Partner
Waddle & Graham CPA's, PLLC

Frankfort, Kentucky
July 14, 2026