GRAYSON COUNTY WATER DISTRICT

COMPILED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2025

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FOR THE YEAR ENDED DECEMBER 31, 2025

Buckles, Travis & Hart, PLLC

Certified Public Accountants

DENNIS R. BUCKLES, CPA
BRAD K. TRAVIS, CPA/PFS
ROBIN G. YOUNG, CPA

www.graysoncpas.com

211 West White Oak Street
Post Office Box 4069
Leitchfield, KY 42755-4069
Phone 270-259-5604
Fax 270-259-5603

ACCOUNTANTS' COMPILATION REPORT

Board of Commissioners
Grayson County Water District
Leitchfield, KY 42754

Management is responsible for the accompanying financial statements of the business-type activities of the Grayson County Water District as of and for the year ended December 31, 2025, 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 accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The December 31, 2024 summarized comparative information presented herein was audited by other accountants, and they expressed an unmodified opinion in their report dated September 9, 2025. They have not performed any auditing procedures since that date.

Required Supplementary Information

Management has omitted the Management's 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 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Expenditures of Federal Awards on page 16 and the Notes to Required Supplementary Information on page 17 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to the District.

Respectfully submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
March 25, 2026

GRAYSON COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operation and maintenance	$ 148,179	$ 173,075
Revenue	855,893	1,055,088
Construction	331,181	1,943
Accounts receivable		
Customer accounts receivable, net of allowance for uncollectibles of $300,229 and $275,694	356,567	341,333
Unbilled revenue	252,500	198,471
Prepaid expenses	109,057	85,184
Inventory	778,051	749,544
TOTAL CURRENT ASSETS	2,831,428	2,604,638
NONCURRENT ASSETS		
Restricted cash and cash equivalents		
Bond and note sinking funds	626,411	496,317
Depreciation fund	1,082,334	1,153,207
Capital assets		
Land and land rights	413,191	413,191
Construction in progress	12,843,248	12,190,571
Utility plant and lines	37,272,764	35,918,732
Utility equipment and other	1,471,920	1,279,328
Less: Accumulated depreciation	(19,937,372)	(18,921,915)
TOTAL NONCURRENT ASSETS	33,772,496	32,529,431
TOTAL ASSETS	$ 36,603,924	$ 35,134,069

(CONTINUED)

	DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 194,538	$ 73,358
Accrued liabilities	222,785	182,408
School and sales taxes payable	16,065	14,385
Interest payable from restricted assets	132,763	90,121
Interest payable - Customer deposits	2,165	3,190
Customer deposits	63,930	65,050
Current portion of long-term debt	1,678,106	5,221,713
TOTAL CURRENT LIABILITIES	2,310,352	5,650,225
NONCURRENT LIABILITIES		
Bonds and loans payable	18,530,843	17,064,143
Less: Current portion of long-term debt	(1,678,106)	(5,221,713)
Bond premium, net of amortization of $124,810 and $97,746	281,190	308,254
TOTAL NONCURRENT LIABILITIES	17,133,927	12,150,684
TOTAL LIABILITIES	19,444,279	17,800,909
NET POSITION		
Net investment in capital assets	13,532,908	13,815,764
Restricted for		
Debt service	626,411	496,317
Depreciation reserves	1,082,334	1,153,207
Unrestricted	1,917,992	1,867,872
TOTAL NET POSITION	17,159,645	17,333,160
TOTAL LIABILITIES AND NET POSITION	$ 36,603,924	$ 35,134,069

See accompanying notes and accountants' compilation report.

GRAYSON COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

	FOR THE YEAR ENDED DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
OPERATING REVENUES		
METERED SALES		
Residential	$ 4,147,990	$ 3,813,907
Commercial	747,879	676,421
Agriculture	114,405	115,846
Resale	81,615	35,031
TOTAL METERED SALES	5,091,889	4,641,205
FORFEITED DISCOUNTS	63,838	60,263
MISCELLANEOUS SERVICE REVENUE	31,102	23,659
TOTAL OPERATING REVENUES	5,186,829	4,725,127
OPERATING EXPENSES		
PURCHASED WATER	535,576	673,975
SUPPLY AND PUMPING EXPENSE		
Purchased power	60,131	51,874
Materials and supplies	11,750	9,595
Insurance	18,775	16,131
Transportation	4,915	7,021
Miscellaneous	5	1,000
Payroll and contractual services	273,350	241,456
TOTAL SUPPLY AND PUMPING EXPENSE	368,926	327,077
WATER TREATMENT EXPENSE		
Purchased power	171,139	137,522
Materials and supplies	292,258	221,059
Insurance	17,944	14,937
Transportation	2,721	2,458
Miscellaneous	32,531	10,024
Payroll and contractual services	611,581	482,321
Professional services	25,936	25,598
TOTAL WATER TREATMENT EXPENSE	1,154,110	893,919
GENERAL DISTRIBUTION EXPENSE		
Purchased power	4,016	3,464
Materials and supplies	19,748	21,730
Insurance	17,944	14,937
Transportation	23,227	28,896
Miscellaneous	43,032	65,346
Payroll and contractual services	356,004	276,823
TOTAL GENERAL DISTRIBUTION EXPENSE	463,971	411,196
MAINTENANCE EXPENSE		
Transportation	9,384	9,120
Payroll and contractual services	221,294	170,131
Distributions	7,318	9,877
Services	1,972	4,909
TOTAL MAINTENANCE EXPENSE	239,968	194,037

(CONTINUED)

See accompanying notes and accountants' compilation report.

GRAYSON COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2025

	FOR THE YEAR ENDED DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
CUSTOMER ACCOUNTS EXPENSE		
Bad debt expense	$ 24,535	$ 11,459
Materials and supplies	64,660	89,645
Transportation	26,484	33,550
Miscellaneous	10,230	10,881
Payroll and contractual services	564,050	519,051
Customer records	198,565	146,434
TOTAL CUSTOMER ACCOUNTS EXPENSE	888,524	811,020
ADMINISTRATIVE AND GENERAL EXPENSE		
Materials and supplies	80,511	61,930
Insurance	44,643	30,295
Transportation	9,127	7,021
Miscellaneous	89,125	107,497
Payroll and contractual services	367,045	327,647
Professional services	117,893	67,420
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	708,344	601,810
DEPRECIATION EXPENSE	1,015,457	960,235
TOTAL OPERATING EXPENSES	5,374,876	4,873,269
OPERATING INCOME (LOSS)	(188,047)	(148,142)
NON-OPERATING REVENUES (EXPENSES)		
Grant income	220,000	276,036
Rent income	58,535	77,827
Miscellaneous income	29,571	0
Interest income	1,264	1,171
Gain (loss) on sale of equipment	10,400	0
Interest expense	(521,653)	(184,699)
PSC taxes	(7,537)	(7,013)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(209,420)	163,322
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(397,467)	15,180
CAPITAL CONTRIBUTIONS		
Contributions in aid of construction	223,952	200,833
TOTAL CAPITAL CONTRIBUTIONS	223,952	200,833
CHANGE IN NET POSITION	(173,515)	216,013
TOTAL NET POSITION - BEGINNING	17,333,160	17,117,147
TOTAL NET POSITION - ENDING	$ 17,159,645	$ 17,333,160

See accompanying notes and accountants' compilation report.

GRAYSON COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	FOR THE YEAR ENDED DECEMBER 31, 2025	DECEMBER 31, 2024 SUMMARY
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 5,117,566	$ 4,639,326
Payments to suppliers	(2,018,475)	(2,330,634)
Payments for payroll and contractual services	(2,231,767)	(2,038,598)
Other receipts (payments)	(6,977)	(10,664)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	860,347	259,430
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant income	220,000	463,875
Bond proceeds	5,619,000	0
Proceeds from capital debt	1,876,200	2,973,878
Principal repayments of capital debt	(6,028,500)	(397,500)
Capital contributions	223,952	200,833
Purchase of capital assets	(2,199,301)	(4,000,364)
Rent income	58,535	77,827
Miscellaneous income	29,571	0
Proceeds on sale of capital assets	10,400	18,750
Interest paid on capital debt	(548,717)	(211,763)
Increase (decrease) in interest payable-Customer deposits	(1,025)	2,961
Increase (decrease) in interest payable from restricted assets	42,642	(7,595)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(697,243)	(879,098)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,264	1,171
Decrease in note receivable-City of Leitchfield	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,264	1,171
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	164,368	(618,497)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2025	2,879,630	3,498,127
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2025	$ 3,043,998	$ 2,879,630

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	$ (188,047)	$ (148,142)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Depreciation expense	1,015,457	960,235
Payment of PSC taxes	(7,537)	(7,013)
Changes in assets and liabilities		
Net (increase) decrease in accounts receivable	(15,234)	(68,247)
Net (increase) decrease in other accounts receivable	0	0
Net (increase) decrease in unbilled revenue	(54,029)	(17,554)
Net (increase) decrease in prepaid expenses	(23,873)	(19,838)
Net (increase) decrease in inventory	(28,507)	(415,191)
Net increase (decrease) in accounts payable	121,180	(42,489)
Net increase (decrease) in accrued liabilities	40,377	21,320
Net increase (decrease) in school and sales taxes payable	1,680	2,169
Net increase (decrease) in customer deposits	(1,120)	(5,820)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 860,347	$ 259,430

See accompanying notes and accountants' compilation report.

GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The Grayson County Water District (District) is a tax-exempt division of county government organized under KRS 74.010. The District provides a municipal water system to citizens located in the geographic area of the system.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. The Reporting Entity

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretations).

2. Basic Financial Statements – Proprietary Fund Financial Statements

The District's basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those businesses in the private sector. Amounts recorded as operating revenues are those revenues generated from general water service operations. All other revenues are recorded as non-operating revenues or capital contributions. The District first applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

> The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Accounting (Concluded)

GASB No. 34 requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- *Restricted* – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Assets* – The component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets".

4. Cash and Cash Equivalents

The District has defined cash and cash equivalents to include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

5. Inventory

Inventory of materials consist of expendable supplies held for use and are stated at the lower of cost or market using the FIFO (first-in, first-out) method.

6. Use of Estimates

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

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful life of the asset. An estimated useful life of fifty years is used for substantially all plant assets. Estimated useful lives for other machinery and equipment ranges from five to ten years. Upon retirement, the cost of the asset, less any proceeds, is charged to accumulated depreciation.

The District has an ongoing activity of assessing the feasibility of installing additional lines to new service areas. Once an extension is considered feasible, there are additional engineering studies, applications to various funding agencies, and project administrative costs. The District defers the ongoing activity and capitalizes these costs upon completion of the project. These procedures are based on the reasonable expectation that the Public Service Commission of the Commonwealth of Kentucky will allow recovery of these costs through their inclusion in future rate increases.

8. Impairment of Long-Lived Assets

The District reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2025.

9. Nonexchange Transactions

The recognition of assets and revenues resulting in nonexchange transactions of the District are as follows:

a. Voluntary nonexchange transactions – The District receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

10. Advertising Cost

The District uses advertising to promote its services to the community. Advertising costs are expensed as incurred. Advertising expenses for the year ended December 31, 2025 were $363.

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

11. Bond Premium, Discounts and Issuance Costs

Bond premiums and discounts for proprietary funds are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premium/discounts are presented as an addition/reduction of the face amount of bonds payable. Bond issuance costs are expensed in the period incurred.

NOTE B – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and investments was $3,043,998 and the bank balance was $3,107,487. Of the total bank balance, $500,000 was covered by federal depository insurance, $345,631 was invested in 100% federally guaranteed securities and the remaining balance of $2,261,856 was considered uncollateralized. As of December 31, 2025, $8,383,845 was pledged with securities held by the pledging banks' trust departments but not in the name of the District.

Kentucky Revised Statute 66.480 provides for investment of governmental funds into certain investment types including obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

NOTE C – RESTRICTED CASH

The sinking fund is restricted to the payment of principal and interest on long-term debt.

The depreciation fund is restricted to payment for improvements and approved repairs.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE D – CONTRIBUTIONS IN AID OF CONSTRUCTION

These revenue amounts were obtained from placement of meters at previously unsubscribed locations and from governmental grants.

NOTE E – LONG-TERM DEBT

The following bonds and loans were issued through USDA, Rural Development (RD):

Original Amount	Funding Agency	Series Of	Interest Rate	Balance as of Dec. 31, 2025	2024
$ 525,000	RD	2013A	2.125%	$ 419,000	$ 430,000
$ 900,000	RD	2013B	2.000%	$ 705,000	$ 724,500
$ 712,000	RD	2017	2.500%	$ 628,500	$ 641,500
$ 539,000	RD	2020A	1.750%	$ 490,000	$ 500,000
$ 256,000	RD	2020B	1.750%	$ 233,000	$ 238,000
$ 568,000	RD	2021	1.500%	$ 536,000	$ 547,000
$5,619,000	RD	2024	1.750%	$5,619,000	$ 0

These bonds are secured by a pledge of a fixed portion of the income and revenues derived from the operation of the District's water system and have principal and interest sinking fund requirements.

During 2022, the District had received approval for a Kentucky Infrastructure Authority (KIA) Project Loan not to exceed $7,231,000. As of December 31, 2025, total draws of $7,200,343 had been accumulated. This loan bears interest at .25% and is secured by the revenues of the water system. The year-end balance was $7,200,343. An annual deposit of $18,100 is to be deposited in a reserve account beginning December 2025. The annual deposits are to be made until the balance reaches $362,000. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2025 the reserve balance was $33,445.

During 2012, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation not to exceed $1,425,000. This interim loan was converted to permanent financing through RD upon project completion. As of December 31, 2013, total draws of $1,425,000 had been accumulated, with $525,000 of 2013A series bonds bearing interest at 2.125% and $900,000 of 2013B series bonds bearing interest at 2.000%. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. Total outstanding amounts at year end were $1,124,000.

During 2013, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of $1,990,000. This loan was received as part of a 2013B series revenue bond. This loan was issued to refund the District's series 2001D and 2004B Kentucky Rural Water Loans. This loan bears interest at a variable rate ranging between 2.30% and 3.30% over the life of the bond. This loan also has principal and interest sinking fund requirements. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2025 the loan balance was $255,000.

NOTE E – LONG-TERM DEBT (CONTINUED)

During 2017, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation. This interim loan was converted to permanent financing through RD upon project completion. This loan bears interest at 2.5% and is secured by revenues of the water system. As of December 31, 2018, the 2017 series bond had total draws of $712,000 issued through RD. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. This loan also has principal and interest sinking fund requirements. Total outstanding amounts at year end were $628,500.

During 2019, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of $1,070,000. This loan was received as part of a 2019B series revenue bond. This loan was issued to refund the District's series 2005 Rural Development Bond. This loan bears interest at a variable rate ranging between 3.2% and 5.2% over the life of the bond and is secured by revenues of the water system. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2025 the loan balance was $845,000.

During 2020, the District provided interim financing for a project. This interim loan was converted to permanent financing through RD. As of December 31, 2020, total draws of $795,000 had been accumulated, with $539,000 of 2020A series bonds bearing interest at 1.750% and $256,000 of 2020B series bonds bearing interest at 1.750%. This debt is secured by revenues of the water system. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. The 2020A and 2020B series bonds were issued through RD. Total outstanding amounts at year end were $723,000 .

During 2021, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of $2,070,000. This loan was received as part of a 2021D series revenue bond. This loan was issued to refund the District's series 2012D revenue bond. This loan bears interest at a variable rate ranging between 2.2% and 5.2% over the life of the bond and is secured by revenues of the water system. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2025 the loan balance was $1,600,000.

During 2023, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation up to the amount of $5,619,000. The loan was converted to permanent financing through RD upon project completion. The loan bears interest at 1.75% and is secured by revenues of the water system. As of December 31, 2025, total draws of $5,619,000 had been accumulated. Total outstanding amounts at year end were $5,619,000.

GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE E – LONG-TERM DEBT (CONCLUDED)

During 2021, the District provided interim financing for a project. This interim loan was converted to permanent financing through RD. As of December 31, 2022, total draws of $568,000 had been accumulated as a 2021 series bond bearing interest at 1.500%. This debt is secured by revenues of the water system. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. The 2021 series bond was issued through RD. Total outstanding amount at year end was $536,000.

The district does not have any unused lines of credit. None of the debt is considered to be direct borrowings nor direct placements of debt.

Current year long-term debt activity is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Rural Development Bond, 2013A & B	$ 1,154,500	$ 0	$ 30,500	$ 1,124,000
Rural Development Bond, 2017	641,500	0	13,000	628,500
Rural Development Bond, 2020A & B	738,000	0	15,000	723,000
Rural Development Bond, 2021	547,000	0	11,000	536,000
Rural Development Bond, 2024	0	5,619,000	0	5,619,000
Kentucky Infrastructure Authority Loan	6,911,761	288,582	0	7,200,343
Kentucky Rural Water Loan	400,000	0	145,000	255,000
Kentucky Rural Water Loan	890,000	0	45,000	845,000
Kentucky Rural Water Loan	1,750,000	0	150,000	1,600,000
Kentucky Rural Water Loan	4,031,382	1,587,618	5,619,000	0
	$17,064,143	$7,495,200	$6,028,500	$18,530,843

Principal of various amounts are due at least annually in each of the years through 2065. The principal due for each of the next five years and thereafter is as follows:

Year	Principal	Interest	Total
2026	$ 1,678,106	$ 275,688	$ 1,953,794
2027	712,764	256,132	968,896
2028	600,267	239,008	839,275
2029	614,270	223,550	837,820
2030	633,775	207,506	841,281
2031-2035	3,009,490	847,449	3,856,939
2036-2040	2,364,299	640,307	3,004,606
2041-2045	2,202,269	501,970	2,704,239
2046-2050	2,327,402	376,745	2,704,147
2051-2055	2,291,201	244,368	2,535,569
2056-2060	1,129,000	132,059	1,261,059
2061-2065	968,000	41,563	1,009,563
	$ 18,530,843	$ 3,986,345	$ 22,517,188

GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

NOTE F – CONCENTRATION OF CREDIT RISK

The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

NOTE G – ACCOUNTS RECEIVABLE

Customer accounts receivable are shown net of an allowance for uncollectible accounts. At December 31, 2025 total customer accounts receivable was $656,796. Allowance for uncollectible accounts was $300,229 as of December 31, 2025.

Customer accounts receivable amounts arise from monthly water usage. Based on District policy, water meters are read monthly, with billings occurring five to ten days subsequent to the reading. Once billed the customer has fourteen days to pay the amount due. If payment is made after the due date a late fee of 10% is assessed to water charges. A twenty-four-hour grace period is allowed and if amounts remain unpaid, delinquent notices are sent out. Customers are given fourteen days from the date of the delinquent notice to render payment. The day following expiration of the delinquent period, collection trips are made for all bills in excess of forty dollars. If collection does not occur the meter is shut off. The customer will remain active for seven additional days, if at the expiration of the seven days payment has not been made, the account will become inactive, and the customer deposit held will be applied to amounts owed. If collection is considered unlikely the balances are charged off as bad debt expense in the period in which they were deemed uncollectible. Management's periodic evaluation of the adequacy of the allowance for uncollectible accounts is based on past loss experience, known and other risks inherent to the specific account, adverse situations that may affect the customer's ability to render payment and current economic conditions. Management considers many factors in determining whether a receivable is impaired, such as payment history and changes in employment.

NOTE H – CAPITAL ASSETS

	Beginning	Increases	Decreases	Ending
Capital assets not being depreciated				
Land and land rights	$ 413,191	$ 0	$ 0	$ 413,191
Construction in progress	12,190,571	1,627,486	(974,809)	12,843,248
Total capital assets not being depreciated	12,603,762	1,627,486	(974,809)	13,256,439
Other capital assets				
Utility plant and lines	35,918,732	1,354,032	0	37,272,764
Utility equipment and other	1,279,328	192,592	0	1,471,920
Total other capital assets at historical cost	37,198,060	1,546,624	0	38,744,684
Less: Accumulated depreciation	(18,921,915)	(1,015,457)	0	(19,937,372)
Capital assets, net	$30,879,907	$2,158,653	$(974,809)	$ 32,063,751

GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2025

NOTE I – RELATED PARTIES

During 2025 the District paid Future Designs, Inc. $1,170. The entity is owned by a board member of the District. The District also paid Woosley Welding, Inc. $560. The entity is owned by the son of the District manager.

NOTE J – RISKS OF LOSS

The District's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage, and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

NOTE K – RETIREMENT PLAN

As of January 1, 2017, the District has provided a deferred compensation plan for eligible employees. The plan is administered by the Kentucky Public Employees' Deferred Compensation Authority in association with Nationwide Retirement Solutions. The two-tier plan provides a 5% District contribution regardless of employee participation beginning with an employee's second year of employment. District contributions to the plan were $124,397 for 2025.

NOTE L – SUBSEQUENT EVENTS

The District's management has evaluated and considered the need to recognize or disclose other subsequent events through March 25, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2025, have not been evaluated by management.

The Grayson County Water District has an agreement to take ownership of the Caneyville water system as soon as Caneyville has completed their current construction project on their system. The District entered into an operating agreement with the City of Caneyville to run their water system in April of 2021. The District filed a formal intent to purchase at that time. As Caneyville has a current rural development funded project in process, the District cannot officially take ownership of Caneyville's system until that project is completed. The District took beneficial ownership of the Caneyville water system during 2022, but the acquisition is not complete. The debt has not been assumed as of December 31, 2025, and the District will not be considered full owner until this occurs in fiscal year 2026.

The Grayson County Water District has entered into an agreement to purchase territory from the Edmonson County Water District that is in Grayson County. The purchase price is approximately $4,600,000 and will add an estimated 3,500 customers. A loan and a grant from KIA has been approved to complete the purchase. On August 1, 2025 the District entered into an operating agreement to manage this portion of Edmonson County Water District's system until the purchase can be finalized.

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

Federal Grantor/Pass-through Grantor/Program Title	Federal ALN Number	Agency or Pass-through Number	Federal Expenditures
Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	$ 5,332,424
Total			$ 5,332,424

GRAYSON COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE A – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The schedule of expenditures of federal awards includes the federal awards activity of the Grayson County Water District and is presented on the accrual basis of accounting. 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). Therefore, some amounts in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

No awards were provided to sub-recipients.