



Warren County Water District

**Component Unit of
Warren County, Kentucky**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2025 and 2024



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REPORT





CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.

922 State Street
Suite 100
Bowling Green, KY 42101

Mailing Address:
PO Box 104
Bowling Green, KY 42102

270.782.0700
270.782.0932 (fax)
CRLadv.com

INDEPENDENT AUDITOR’S REPORT

Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

Opinion

We have audited the accompanying financial statements of Warren County Water District (the “District”), a component unit of Warren County, Kentucky, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, and select pension/OPEB information on pages 45 through 48 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 the District's basic financial statements. The schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, L.L.C.
Bowling Green, Kentucky
April 10, 2026



FINANCIAL STATEMENTS



Warren County Water District Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warren County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2025, and 2024. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

The following are highlights of Warren County Water District for year ending December 31, 2025:

- Total Net Position increased by \$32,757,723 or 15.2% to \$248,123,819 from \$215,366,096 reflecting several residential developments and capacity upgrade projects placed into service or under construction. In year 2024, Total Net Position increased by \$34,976,640 or 19.4% to \$215,366,096 from \$180,389,456 reflecting several residential developments and capacity upgrade projects placed into service or under construction.
- Operating Revenues increased by \$1,685,716 or 7.0% to \$25,616,716 compared to \$23,931,000 in 2024 due to increases in metered revenue reflecting mid-year water and sewer retail rate increases of 12.33% and 10.14%, respectively. In 2024, Operating Revenues increased by \$1,312,634 or 5.8% to \$23,931,000 compared to \$22,618,366 in 2023 due to increases in metered revenue driven by customer demand.
- Operating Expenses increased by \$1,237,954 or 4.9% to \$26,663,305 compared to \$25,425,351 in 2025 due to increases in wages & benefits, sewage disposal, contractual services, and depreciation expense. In 2024, Operating Expenses increased by \$2,091,991 or 9.0% to \$25,425,351 compared to \$23,333,360 in 2023 due to increases in wages & benefits, purchased water, sewer disposal, and depreciation expense.
- A Net Loss Before Contributions of \$1,255,779 was recorded compared to a net loss of \$1,074,259 in 2024. The continued loss reflects increases in operating costs. In year 2024, a Net Loss Before Contributions of \$1,074,259 was recorded compared to a net loss of \$419,009 in 2023.
- Utility Plant increased by \$44,271,081 or 20.6%, net of depreciation, to \$259,031,397 from \$214,760,316 in 2024 reflecting several residential developments and capacity upgrade projects placed into service or under construction. In 2024, Utility Plant increased by \$34,005,231 or 18.8%, net of depreciation, to \$214,760,316 from \$180,755,085 in 2023 reflecting several residential developments and capacity upgrade projects placed into service or under construction.
- Total water sold to District's customers during the year amounted to 3.15 billion gallons compared to 3.16 billion gallons in the prior year. Total sewer gallons billed to customers totaled 1.48 billion gallons compared to 1.49 billion gallons in the prior year.

Warren County Water District Management's Discussion and Analysis

- The peak water demand month was September with 386 million gallons pumped and the peak demand day was September 9th with 16.2 million gallons pumped.
- The water division added 667 customers, and the sewer division added 490 customers throughout the year. The number of customers at the end of the year for the water and sewer divisions was 35,469 and 11,419, respectively.
- Average metered water revenue billed to customers was \$28.86 per residential customer and \$198.08 per commercial customer. Average sewer revenue was \$24.86 per residential customer and \$313.72 per commercial customer.
- The water division has a total of 1,223 miles of water main serving an average of 29 customers per mile. The sewer division has 236 miles of collection mains serving an average of 48 customers per mile.

Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Warren County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

Financial Analysis

Budgetary Analysis for the Year Ended December 31, 2025

Total Revenues exceeded budget by \$414,816 due to higher than anticipated residential customer demand. *Forfeited Discounts* (late charges) amounts and *Miscellaneous Service Revenue* (connection fees, collection fees, and meter tampering fees) were near budgeted amounts.

Operating Expenses related to providing water and sewer service and maintaining the District's distribution and collection system were under budget by \$1,116,795. *Operating Expenses* that were under budget included purchased water cost, \$452,322; sewage disposal costs, \$238,396; depreciation, \$169,013; wages & benefits, \$79,755; contractual services, \$71,487; and the net amount of various other expenses totaling \$105,822. *Non-Operating Revenues (Expenses)* were under budget by \$88,810 reflecting lower than expected debt issuance costs and interest expense related to the RWFA, Series 2025D bond anticipation note issued in July 2025.

The District recorded a Net Loss of \$1,255,779 and *Contribution in Aid of Construction* exceeded budget by \$5,297,502 due to contributions from the Inter-Modal Transportation Authority (ITA) for Transpark III Project. *Net Change in Net Position* totaled \$32,757,723 and exceeded budget by \$6,917,923.

Warren County Water District Management's Discussion and Analysis

Table 1
TABLE OF BUDGETARY COMPARISON

	Budget Year 2025	Actual Year 2025	Variances Favorable \\ (Unfavorable)
Revenues			
Metered Water Revenue	\$17,818,000	\$18,112,490	\$294,490
Metered Sewer Revenue	6,936,100	7,053,474	117,374
Forfeited Discounts	265,100	267,056	1,956
Miscellaneous Service Revenue	181,500	182,496	996
Other Revenue	1,200	1,200	0
Total Revenues	25,201,900	25,616,716	414,816
Operating Expenses	27,780,100	26,663,305	1,116,795
Non-Operating Revenues (Expenses)			
Interest Income	(822,900)	(864,248)	41,348
Rental Income	(105,900)	(121,073)	15,173
Non-Utility Income	(90,900)	(83,357)	(7,543)
Gain on Investments	3,000	0	3,000
(Loss) Gain on Disposal of Assets	(41,700)	1,647	(43,347)
Debt Issuance Costs	404,200	393,802	10,398
Interest Expense	952,200	882,419	69,781
Total Non-Operating Revenues (Expenses)	298,000	209,190	88,810
(Loss) Income Before Capital Contributions	(2,876,200)	(1,255,779)	1,620,421
Contribution in Aid of Construction	28,716,000	34,013,502	5,297,502
Net Change in Net Position	\$25,839,800	\$32,757,723	\$6,917,923

Budgetary Analysis for the Year Ended December 31, 2024

Total Revenues exceeded budget by \$166,300 due to higher than anticipated customer demand during the fall months. *Forfeited Discounts* (late charges) were near budgeted amounts and *Miscellaneous Service Revenue* (connection fees, collection fees, and meter tampering fees) were less than budgeted.

Operating Expenses related to providing water and sewer service and maintaining the District's distribution and collection system were under budget by \$317,999. *Operating Expenses* that were under budget included purchased water cost of \$111,502; wages & benefits, \$54,533, depreciation, \$42,319; contractual services, \$22,243, equipment, \$20,242; and the net amount of various other expenses totaling \$67,160. *Non-Operating Revenues (Expenses)* were over budget by \$29,812 due to project financing that was budgeted and not obtained during the year.

The District recorded a Net Loss of \$1,074,259 and *Contribution in Aid of Construction* exceeded budget by \$5,050,899 reflecting a greater number of line extensions transferred from developers than budgeted. *Net Change in Net Position* totaled \$34,976,640 and exceeded budget by \$5,565,010.

Warren County Water District Management's Discussion and Analysis

Table 2
TABLE OF BUDGETARY COMPARISON

	Budget Year 2024	Actual Year 2024	Variances Favorable \\ (Unfavorable)
Revenues			
Metered Water Revenue	\$16,614,500	\$16,744,185	\$129,685
Metered Sewer Revenue	6,506,700	6,554,128	47,428
Forfeited Discounts	324,800	326,191	1,391
Miscellaneous Service Revenue	317,500	305,296	(12,204)
Other Revenue	1,200	1,200	0
Total Revenues	<u>23,764,700</u>	<u>23,931,000</u>	<u>166,300</u>
Operating Expenses	25,743,350	25,425,351	317,999
Non-Operating Revenues (Expenses)			
Interest Income	943,500	917,323	(26,177)
Rental Income	130,400	135,374	4,974
Non-Utility Income	90,400	91,867	1,467
Gain on Investments	27,500	40,388	12,888
(Loss) Gain on Disposal of Assets	50,700	49,646	(1,054)
Debt Issuance Costs	(122,700)	(78,845)	43,855
Interest Expense	(729,520)	(735,661)	(6,141)
Total Non-Operating Revenues (Expenses)	<u>390,280</u>	<u>420,092</u>	<u>29,812</u>
(Loss) Income Before Capital Contributions	(1,588,370)	(1,074,259)	514,111
Contribution in Aid of Construction	31,000,000	36,050,899	5,050,899
Net Change in Net Position	<u>\$29,411,630</u>	<u>\$34,976,640</u>	<u>\$5,565,010</u>

Statement of Net Position

A summary of the District's Net Position is presented below in Table 3. The District's assets exceeded liabilities by \$248,123,819 for the year.

Current & Non-Current Assets totaled \$39,588,138, an increase of \$814,184 from last year reflecting a receivable for reimbursement on the Flow for the Future (Transpark III) project totaling \$3,698,128. *Utility Plant* is the largest portion of the District's assets and includes land, water distribution mains, sewer mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In 2025, utility plant totaled \$259,031,397 net of depreciation, reflecting an increase of \$44,271,081 over the prior year. The increase in utility plant includes the Transpark II storage tank placed into service, and projects under construction such as the Flow for Our Future (Transpark III) project, and the construction of a new office complex. *Deferred Outflows of Resources* is the prepayment of the District's defined benefit retirement plan amortized over ten years through 2027. *Current and Non-Current Liabilities* totaled \$20,309,117 and decreased \$9,969,149 due to the decrease in the current portion of long-term debt. *Net Long-Term Debt* totaled \$30,516,535, an increase of \$22,135,287 reflecting the issuance of the RWFA, Series 2025D bond anticipation note of \$22,985,000 in July.

Warren County Water District Management's Discussion and Analysis

The District's *Total Net Position* totaled \$248,123,819 and increased by \$32,757,723 comparatively over the prior year. *Total Liabilities & Net Position* totaled \$298,949,471 for year 2025, an increase of \$44,923,861, or 17.7%.

Table 3
CONDENSED STATEMENT OF NET POSITION
December 31, 2025

Assets	Year 2025	Year 2024	Increase (Decrease)	
Current & Non-Current Assets	\$39,588,138	\$38,773,954	\$814,184	2.1%
Utility Plant	259,031,397	214,760,316	44,271,081	20.6%
Total Assets	298,619,535	253,534,270	45,085,265	17.8%
Deferred Outflows of Resources				
Deferred Outflows - Retirement Plan	329,936	491,340	(161,404)	-32.8%
Total Assets & Deferred Outflows	298,949,471	254,025,610	44,923,861	17.7%
Liabilities				
Current & Non-Current Liabilities	20,309,117	30,278,266	(9,969,149)	-32.9%
Net Long-Term Debt	30,516,535	8,381,248	22,135,287	264.1%
Total Liabilities	50,825,652	38,659,514	12,166,138	31.5%
Net Position				
Net Investment in Capital Assets Restricted for Depreciation Reserves	230,327,728	195,018,984	35,308,744	18.1%
Reserves	1,051,010	1,651,938	(600,928)	-36.4%
Unrestricted	16,745,081	18,695,174	(1,950,093)	-10.4%
Total Net Position	248,123,819	215,366,096	32,757,723	15.2%
Total Liabilities & Net Position	\$298,949,471	\$254,025,610	\$44,923,861	17.7%

Statement of Revenues, Expenses, and Changes in Net Position

This statement identifies various revenue and expense items, which impact the change in net position. A summary of this statement is presented in Table 4 below.

Warren County Water District Management's Discussion and Analysis

Table 4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2025

	Year 2025	Year 2024	Increase (Decrease)	
Operating Revenues				
Metered Water Revenue	\$18,112,490	\$16,744,185	\$1,368,305	8.2%
Metered Sewer Revenue	7,053,474	6,554,128	499,346	7.6%
Forfeited Discounts	267,056	326,191	(59,135)	-18.1%
Miscellaneous Service Revenue	183,696	306,496	(122,800)	-40.1%
Total Operating Revenues	25,616,716	23,931,000	1,685,716	7.0%
Operating Expenses				
Wages & Benefits	4,646,945	4,008,415	638,530	15.9%
Commissioner Fees	30,000	30,000	-	0.0%
Purchased Water	8,037,878	8,304,798	(266,920)	-3.2%
Sewage Disposal	3,794,004	3,641,606	152,398	4.2%
Purchased Power	827,182	749,068	78,114	10.4%
Materials & Chemicals	547,333	543,822	3,326	0.6%
Contractual Services	1,357,713	1,153,407	204,306	17.7%
Rental of Building	57,410	56,917	493	0.9%
Equipment	400,779	365,758	35,206	9.6%
Depreciation	6,669,787	6,372,281	297,506	4.7%
Other Operating Expenses	294,274	199,279	94,995	47.7%
Total Operating Expenses	26,663,305	25,425,351	1,237,954	4.9%
Non-Operating Revenues (Expenses)				
Interest Income	864,248	917,323	(53,075)	-5.8%
Rental Income	121,073	135,374	(14,301)	-10.6%

Warren County Water District Management's Discussion and Analysis

Non-Utility Income	83,357	91,867	(8,510)	-9.3%
Gain (Loss) on Investments	-	40,388	(40,388)	100.0%
Gain (Loss) on Disposals	(1,647)	49,646	(51,293)	103.3%
Debt Issuance Cost	(393,802)	(78,845)	(314,957)	399.5%
Interest Expense	(882,419)	(735,661)	(146,758)	19.9%
Total Non-Operating Revenues (Expenses)	(209,190)	420,092	(629,282)	149.8%
(Loss) Income Before Capital Contributions	(1,255,779)	(1,074,259)	(181,520)	16.9%
Capital Contributions	34,013,502	36,050,899	(2,037,397)	-5.7%
Change in Net Position	32,757,723	34,976,640	(2,218,917)	-6.3%
Net Position, Beginning of Year	215,366,096	180,389,456	34,976,640	19.4%
Total Net Position, End of Year	248,123,819	215,366,096	\$32,757,723	15.2%

Total Operating Revenue increased by \$1,685,716 or 7.0% compared to the prior year. *Metered Water Revenue* and *Metered Sewer Revenue* increased by \$1,368,305 and \$499,346, respectively, reflecting water and sewer retail rate increases of 12.33 % and 10.14% respectively effective in May and impacting July billings. Overall, the volume of water sold during the year totaled 3.15 billion gallons versus 3.16 billion gallons in the prior year, a 0.3% decrease. The volume of sewer revenue billed totaled 1.48 billion gallons versus 1.49 billion gallons last year, a 0.7% decrease. The District customer count continues to grow with the water division adding 667 customers for a total of 35,469, and the sewer division adding 490 customers for a total of 11,419 customers. *Forfeited Discounts* which are late charges, decreased by \$59,135 and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees decreased by \$122,800 due to reduced service fees ordered by the Kentucky Public Service Commission effective in May .

Total Operating Expenses increased by \$1,237,954, a 4.9% increase when compared to the prior year. *Wages & Benefits* increased by \$638,530, reflecting addition of new employees to support the expanding water and sewer system. *Contractual Services* increased by \$204,306, reflecting greater hardware and software support costs and *Depreciation* expense increased by \$297,506 due to assets placed into service throughout the year, including the Transpark II Storage Tank, SCADA communication upgrade, and developer line extensions.

Loss Before Capital Contributions was \$1,255,779, reflecting increased operating costs. *Capital Contributions* of \$34,013,502 recorded during the year included the following: contributions from the Inter-Modal Transportation Authority (ITA) for Transpark III of \$27,910,901; line extensions from

Warren County Water District Management's Discussion and Analysis

developers, \$2,433,351; new meter installation fees, \$1,216,179; new sewer tap fees, \$328,270; and various other contributions totaling \$2,124,801.

Changes in Utility Plant

The largest portion of the District's assets are invested in the water distribution and sewer collection system amounting to \$259,031,397 net of depreciation, as of December 31, 2025. Table 4 details changes in capital assets.

Table 5
CHANGES IN UTILITY PLANT
(Net of Depreciation)

	December 31, 2025	December 31, 2024	Increase (Decrease)	
WATER DIVISION				
Land	\$1,379,353	\$1,379,353	\$0	0.0%
Structures	5,112,926	5,335,394	-222,468	-4.2%
Pumping Equipment	1,163,882	1,298,654	-134,772	-10.4%
Storage Tanks	13,386,364	7,225,548	6,160,816	85.3%
Distribution Mains	66,501,784	65,891,660	610,123	0.9%
SCADA	1,812,796	92,952	1,719,844	0.0%
Meters	22,154,469	22,117,914	36,555	0.2%
Hydrants	5,176,606	5,173,719	2,887	0.1%
Hardware & Software	885,850	923,864	-38,014	-4.1%
Vehicles and Equipment	1,724,858	1,650,053	74,805	4.5%
Other	15,289	15,997	-708	-4.4%
Construction In Progress	30,979,006	20,237,119	10,741,887	53.1%
Subtotal - Water Division	<u>150,293,184</u>	<u>131,342,229</u>	<u>18,950,956</u>	<u>14.4%</u>
SEWER DIVISION				
Land	\$1,275,304	\$1,275,304	\$0	0.0%
Structures	12,377,251	12,975,598	-598,347	-4.6%
Pumping Equipment	270,814	388,594	-117,780	-30.3%
Collection Mains	47,883,549	47,751,641	131,909	0.3%
SCADA	1,132,430	1,220,334	-87,904	-7.2%
Taps	10,731,016	10,995,955	-264,939	-2.4%
Hardware & Software	103,970	124,542	-20,572	-16.5%
Equipment	20,364	24,119	-3,755	-15.6%
Other	32,606	33,390	-784	-2.3%
Construction In Progress	34,910,909	8,628,611	26,282,298	304.6%
Subtotal - Sewer Division	<u>108,738,213</u>	<u>83,418,087</u>	<u>25,320,126</u>	<u>30.4%</u>
TOTAL - WATER & SEWER	<u>\$259,031,397</u>	<u>\$214,760,316</u>	<u>\$44,271,081</u>	<u>20.6%</u>

Warren County Water District Management's Discussion and Analysis

Total utility plant net of depreciation increased by \$44,271,081 or 20.6%, compared to the prior year. The increase in utility plant consisted of the following: (1) water and sewer line extensions from developers, \$945,755 and \$1,090,501 respectively; (2) Transpark II Storage Tank, \$5,618,980; (3) storage tank upgrades & maintenance, \$811,796; (4) meters and sewer taps, \$1,455,608 and \$126,388, respectively; (5) SCADA communication replacement, \$1,830,516; (6) other asset additions, \$2,124,355; (7) an increase in construction in progress, \$37,024,185; and (8) a reduction of \$6,757,003 for accumulated depreciation. The increase in construction in progress includes the construction of the Flow for Our Future Project (Transpark III) and the construction of a new office complex.

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds, Rural Water Finance Agency (RWFA) loans, and Kentucky Infrastructure Authority (KIA) loans. In July 2025, the District issued the RWFA, Series 2025D bond anticipation note totaling \$22,985,000 and maturing in July 2027. Series 2025D loan proceeds refunded the previous RWFA, Series 2024D bond anticipation note and provided funding the new office complex and various water and sewer projects. On December 31, 2025, the District had \$31,135,386 in outstanding principal compared to \$20,887,179 in the previous year, an increase of \$10,248,207.

Factors Affecting Next Year's Budget

- On May 20, 2025, the Kentucky Public Service Commission (PSC) approved the District's application for a water and sewer retail rate increase of 12.33% and 10.14%, respectively. The rate increases were budgeted to generate additional revenue for the water and sewer divisions of \$948,737 and \$316,505, respectively when compared to year 2025.
- The District continues to expand its workforce and will add six new positions to support growth within its service area.
- The District has outgrown its current office complex and has entered into a contract to construct a new office building and warehouse. The budgeted cost to construct the complex is \$14,430,670 and will be funded with a bond anticipation note through Rural Water Financing Agency (RWFA) and internal funds. The estimated completion date is May 2026.
- The District's Flow for Our Future Project (Transpark III) totaling \$66,000,000 is currently under construction and will extend water and sewer capacity to residential and industrial customers in northern Warren County. Portions of the project will be placed into service beginning in June 2026.
- In July 2026, the budget includes the issuance of \$23M to permanently finance the RWFA, Series 2025D bond anticipation note utilized to fund the new office complex and various infrastructure projects.

Warren County Water District Management's Discussion and Analysis

- In July, the District will apply for a rate adjustment with the PSC that will include the following in the proposed rates (1) debt service for the \$23M permanent financing that funded the construction of the operations complex and other water and sewer projects; (2) depreciation expense on large projects currently under construction that will be completed by July such as the operations complex on Russellville Road, Transpark Flow for Our Future, Southwest Parkway Sewer Extension, and SCADA system upgrade; and (3) increases in operating costs since the last rate adjustment filing in July 2024. Approval from the PSC is anticipated in May 2027 and there will be no impact to budgeted revenues in 2026.

The District's board of commissioners adopted the budget for 2026 at its meeting held in November 2025. Metered water sales and metered sewer revenue combined are budgeted to increase by 6.3%. Total revenue is budgeted to increase by 6.4% and total expenses are budgeted to increase by 12.9% from year 2025. A net loss before contributions of \$3,860,200 is budgeted. Debt service payments are expected to total \$2,420,300 for both divisions with a reduction in outstanding debt of \$990,700. The capital budget totaled \$67,750,800 with contributions from customers and governmental agencies totaling \$41,527,800, funds from financing totaling \$16,460,600, and from in-house funds totaling \$9,761,900.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at www.warrenwater.com.

Warren County Water District Statements of Net Position

<i>December 31,</i>	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 18,041,795	\$ 7,569,045
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of \$518,024 and \$492,632, respectively	3,097,089	2,579,474
Accounts receivable – Butler County Water System	139,085	111,746
Accounts receivable – Simpson County Water District	173,021	93,061
Other accounts receivable	4,227,610	3,900,068
Interest receivable	36,103	53,658
Materials and supplies inventory	3,069,169	3,422,666
Prepaid expenses	149,408	119,406
Total current assets	28,933,280	17,849,124
Non-current assets		
Utility Plant		
Utility plant in service	282,114,894	268,110,995
Construction in progress	65,889,915	28,865,730
Less: accumulated depreciation	(88,973,412)	(82,216,409)
Total utility plant, net	259,031,397	214,760,316
Right-to-use lease assets	32,163	32,163
Restricted cash and equivalents	7,590,366	10,432,232
Restricted investments	2,292,488	1,232,306
Investments	-	8,586,775
Accounts receivable:		
Accounts receivable – Butler County Water System	140,213	131,326
Accounts receivable – Simpson County Water District	98,599	92,101
Other assets	501,029	417,927
Total non-current assets	269,686,255	235,685,146
Total assets	298,619,535	253,534,270
Deferred outflows of resources		
Deferred outflows related to retirement security plan	329,936	491,340
Total deferred outflows of resources	329,936	491,340

-Continued-

The accompanying notes are an integral part of these consolidated financial statements.

Warren County Water District
Statements of Net Position
(Continued)

<i>December 31,</i>	2025	2024
Liabilities		
Current liabilities		
Accounts payable	10,584,236	7,526,028
Accounts payable – Butler County Water System	8,766	4,759
Accounts payable – Simpson County Water District	21,973	21,129
Accrued expenses	1,621,631	1,976,428
Contractor advances for construction	227,236	135,417
Lease Liability	32,163	32,163
Current portion of long-term debt	713,922	12,736,793
Total current liabilities	13,209,927	22,432,717
Non-current liabilities		
Long-term debt		
Bonds and loans payable	1,480,000	1,516,000
Notes payable	29,655,386	19,371,179
Net unamortized bond premium	95,071	230,862
Less: Current portion of long-term debt	(713,922)	(12,736,793)
Net long-term debt	30,516,535	8,381,248
Customer meter deposits	1,809,190	1,743,736
Rebates payable	3,561,703	4,414,981
Unearned revenue for cellular leases	476,447	530,542
Other post employment benefit obligation	1,251,850	1,156,290
Total non-current liabilities	37,615,725	16,226,797
Total liabilities	50,825,652	38,659,514
Net Position		
Net investment in capital assets	230,327,728	195,018,984
Restricted	1,051,010	1,651,938
Unrestricted	16,745,081	18,695,174
Total net position	\$ 248,123,819	\$ 215,366,096

The accompanying notes are an integral part of these consolidated financial statements.

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position

<i>For the years ended December 31,</i>	2025	2024
Operating Revenues		
Metered sales		
Residential	\$ 14,429,687	\$ 13,219,711
Industrial	6,085,751	5,946,660
Commercial	4,650,526	4,131,942
Total metered sales	25,165,964	23,298,313
Forfeited discounts	267,056	326,191
Miscellaneous service revenue	183,696	306,496
Total operating revenues	25,616,716	23,931,000
Operating Expenses		
Source of supply expense		
Purchased water	8,037,878	8,304,798
Sewage disposal	3,794,004	3,641,606
Total source of supply expense	11,831,882	11,946,404
Pumping plant expense		
Salaries and benefits	136	-
Power purchased	807,724	735,716
Chemicals	28,610	38,144
Contractual services	9,080	11,200
Rental expense	4,921	4,879
Insurance	20,167	18,366
Total pumping plant expense	870,638	808,305
Transmission and distribution expense		
Salaries and benefits	2,066,820	1,698,389
Power purchased	19,458	13,352
Contractual services	320,303	306,536
Rental expense	18,863	18,701
Transportation	310,226	278,835
Insurance	61,902	56,162
Materials and supplies	463,789	442,686
Total transmission and distribution expense	3,261,361	2,814,661

-continued-

The accompanying notes are an integral part of these consolidated financial statements.

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position
(Continued)

<i>For the years ended December 31,</i>	2025	2024
Operating Expenses (Continued)		
Customer accounts expense		
Salaries and benefits	1,252,575	1,111,633
Contractual services	340,632	327,744
(Recovery) uncollectible accounts - net	25,392	16,859
Rental expense	28,705	28,458
Transportation	84,498	77,013
Insurance	10,618	9,674
Regulatory commission expense	51,888	-
Miscellaneous	8,987	4,324
Materials and supplies	23,613	24,888
Total customer accounts expense	1,826,908	1,600,593
Administrative and general expense		
Salaries and benefits	1,327,414	1,198,393
Office supplies	31,321	38,104
Commissioner fees	30,000	30,000
Contractual services	687,698	507,927
Insurance	15,848	14,764
Rental expense	4,921	4,879
Regulatory commission expense	36,878	31,782
Miscellaneous	62,594	47,348
Transportation	6,055	9,910
Total administrative and general expense	2,202,729	1,883,107
Depreciation	6,669,787	6,372,281
Total operating expenses	26,663,305	25,425,351
Operating (loss) income	(1,046,589)	(1,494,351)

-continued-

The accompanying notes are an integral part of these consolidated financial statements.

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position
(Continued)

<i>For the years ended December 31,</i>	2025	2024
Non-Operating Revenues (Expenses)		
Interest income	864,248	917,323
Rental income	121,073	135,374
Non-utility income	83,357	91,867
Gain on investments	-	40,388
Gain (loss) on disposal of assets	(1,647)	49,646
Debt issuance cost	(393,802)	(118,454)
Interest expense	(882,419)	(696,052)
Total non-operating revenues (expenses) - net	(209,190)	420,092
(Loss) income before capital contributions	(1,255,779)	(1,074,259)
Capital contributions	34,013,502	36,050,899
Change in net position	32,757,723	34,976,640
Total net position – beginning of year	215,366,096	180,389,456
Total net position – end of year	\$ 248,123,819	\$ 215,366,096

The accompanying notes are an integral part of these consolidated financial statements.

Warren County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2025	2024
Operating Activities		
Receipts from customers and users	\$ 25,099,101	\$ 23,521,948
Receipts from rental and non-utility income	204,430	267,629
Payments to suppliers for goods and services	(15,258,964)	(13,664,235)
Payments to employees	(2,893,133)	(2,535,758)
Net cash provided by operating activities	7,151,434	7,589,584
Noncapital Financing Activities		
Interest paid on customer deposits	(74,995)	(52,836)
Net cash used in noncapital financing activities	(74,995)	(52,836)
Capital and Related Financing Activities		
Proceeds from short-term debt	-	11,880,000
Proceeds from long-term debt	22,985,000	-
Principal repayment on long-term debt	(12,736,793)	(12,200,313)
Proceeds from sale of assets	45,045	53,990
Interest paid on long-term debt	(846,618)	(676,613)
Payment of debt issuance cost	-	(450)
Acquisition and construction of capital assets	(17,300,585)	(4,618,210)
Net cash used in capital and related financing activities	(7,853,951)	(5,561,596)
Investing Activities		
Maturity of short-term investments	7,526,593	3,066,146
Interest income	881,803	937,573
Net cash provided by investing activities	8,408,396	4,003,719
Net increase in cash and cash equivalents	7,630,884	5,978,871
Balances – beginning of year	18,001,277	12,022,406
Balances – end of year	\$ 25,632,161	\$ 18,001,277

The accompanying notes are an integral part of these consolidated financial statements.

Warren County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2025	2024
Reconciliation of Operating (Loss) Income to Net Cash Provided By Operating Activities		
Operating (loss) income	\$ (1,046,589)	\$ (1,494,351)
Adjustments to reconcile net operating (loss) income to net cash provided by operating activities:		
Depreciation expense	6,994,667	6,662,387
Amortization of debt premium / discount	(255,589)	(11,363)
Rental and non-utility income	204,430	227,241
Gain (loss) on disposal of assets	1,647	(49,646)
Changes in assets and liabilities:		
Net increase in accounts receivable	(517,615)	(409,052)
Net increase in other receivables	(450,226)	(1,813,319)
Net increase in prepaid expenses	(30,002)	(7,410)
Net decrease (increase) in materials and supplies inventory	353,497	(706,398)
Net decrease in retirement security plan costs	161,404	161,404
Net increase in other assets	(83,102)	(296,247)
Net increase in accounts payable	3,063,059	4,045,897
Net (decrease) increase in accrued liabilities	(453,816)	394,971
Net increase in contractor advances	91,819	20,215
Net increase in customer deposits	65,454	69,635
Net increase (decrease) in unamortized bond premium - net	(135,791)	99,144
Net (decrease) increase in rebates payable	(853,278)	741,984
Net decrease in other liabilities	(54,095)	(62,570)
Net increase in other post employment benefit obligation	95,560	17,062
Net cash provided by operating activities	\$ 7,151,434	\$ 7,589,584
Non-Cash Capital and Financing Activities		
Contributed constructed water and sewer lines at cost	\$ 34,013,502	\$ 36,050,899
Total non-cash capital and financing activities	\$ 34,013,502	\$ 36,050,899

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Warren County Water District (“District”) is a tax-exempt division of Warren County, Kentucky organized under KRS 74.010. The District operates water and sewer services for the residents of Warren County, Kentucky and surrounding areas.

The District is governed by a five-member board of commissioners (the “Board”). The criteria for determining the District as a component unit of Warren County, Kentucky, the primary government, is financial accountability. In accordance with Section 2100; *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and it is able to impose its will on that organization. The commissioners of the Board are appointed by the Warren County Judge Executive. Warren County is able to impose its will on the District through the ability to remove appointed members of the Board at will.

Measuring Focus, Basis of Accounting, and Financial Statement Presentation

The District’s financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). 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 generally accepted accounting principles as defined in the pronouncements of GASB. The District’s basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity. The financial statements of the District include the accounts of the Water Division and the Sewer Division after elimination of all significant inter-division accounts and transactions.

The District operates as an enterprise activity, using the flow of economic resources measurement focus. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the enterprise fund’s principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and service, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from the estimates. Estimates that are particularly susceptible to significant change in the near term are related to OPEB obligations.

Cash and Cash Equivalents

The District’s cash equivalents are considered to be liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of restricted and unrestricted cash and cash equivalents.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Customer accounts receivable result from unpaid billings for service to customers and from unpaid billings related to work performed or materials sold to certain entities. All customer accounts receivable are 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. Customer accounts receivable also contains an estimate of services rendered, but not yet billed as of the end of the year. The receivable is derived from the cycle billings generated subsequent to year end and prorated for usage in December.

Materials and Supplies

All materials and supplies inventories are valued using the weighted average cost method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Restricted Assets

Certain proceeds of the bond issues and certain resources set aside for their repayment along with reserves for depreciation of plant are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Investments

Investments consist primarily of non-participating non-negotiable certificates of deposit and are recorded at cost. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool, which are utilized by the District in limited smaller levels of investments.

Utility Plant

Utility plant, which include property, plant, equipment, and construction in progress, are recorded at historical cost or estimated historical cost if purchased, constructed, or contributed. Original cost includes materials, labor, transportation, and such other indirect costs as engineering, supervision, and employee fringe benefits.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during a construction period is recognized as an expense.

As property units are retired in the ordinary course of business, the cost of the property plus removal cost less salvage, is charged to accumulated depreciation. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Utility Plant (Continued)

Buildings & Improvements	35 - 37.5 years
Mains - Water Distribution	62.5 years
Mains - Sewer Collection	52.5 years
Meters	10 - 20 years
Service Lines	40 years
Storage Tanks	45 years
Trucks	7 years
Hydrants	50 years
Pumps	20 years
Furniture & Fixtures	22.5 years
Equipment	10 - 12.5 years

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The District has one item that qualifies for reporting as deferred outflows of resources, the deferred amount of prepayments to the District’s retirement security plan. See retirement security plan note below.

Long Term Debt

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

Compensated Absences

The District’s policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the statement of net position. Accumulated sick leave lapses when employees leave the employment of the District and, accordingly upon separation from service, no monetary obligation exists.

Retirement Security Plan

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan (“RS Plan”) administered by the National Rural Electric Cooperative Association (“NRECA”), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. Note 8 provides further detail on the RS Plan.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Security Plan (continued)

In prior years, the District was given the opportunity to lower the retirement age of their employees to sixty two. The cost of reducing the retirement age of the District's retirement plan has been recognized as a deferred outflow of resources and is being amortized using the straight-line method over a thirty-year period as allowed by the agreement with the retirement group.

In prior years, the District made a prepayment as a deferred outflow of resources of \$1,556,940 to the District's retirement plan in order to achieve a lower annual required contribution ("ARC") requirement along with making various modifications to the District's retirement plan. The payment will lower the ARC over a ten-year period ending in 2027; therefore, the payment will be amortized over a ten-year period as a component of the District's pension costs.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability and OPEB expense, information about the District's employees and contributions made have been determined on the same basis as they are reported to the District's actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Note 9 provides further detail on the total OPEB liability.

For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Rebates Payable

Rebates payable are amounts paid by contractors to improve property by adding water and/or sewer connections which are eligible to be refunded to the contractor either entirely or in part, dependent upon the number of future residents attaching to the water and/or sewer connections. Amounts not refunded are transferred to capital contributions after the ten-year eligibility period has lapsed or when it is highly unlikely that the rebate will be requested by contractors.

Bond Discount and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Unamortized amounts are reflected in the long term obligations in the financial statements.

Capital Contributions

The donor cost of contributed property and equipment is included in capital contributions. Contributions are recognized in the statements of revenues, expenses, and changes in net position when earned. Contributions may include connect fees; developer contributed utility systems; capital grants and other supplemental support by other utilities and industrial customers; and federal, state, and local grants in support of system improvements. Assets acquired through contributions from developers or other customers are capitalized at donor cost at the date of donations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This component of net position represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. 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 - The restricted component of net position consists of constraints placed on net position used 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. Restricted assets will be reduced by liabilities and deferred inflows of resources related to those assets in the determination of restricted net position. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Concentration of Credit Risk

The majority of the District's business activity is with customers located within Warren County, Kentucky. The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses are usually minimal and are generally within management's expectations.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 10, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 102, *Certain Risk Disclosures*, the objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The implementation of this Statement was not significant to the District.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. In addition to other items, the Statement:

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows;
- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;
- Requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements;
- Requires governments to present budgetary comparison information using a single method of communication (RSI)

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets noted disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 94, Public-Private and Public-Public partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets noted disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires

Warren County Water District Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

additional disclosures for capital assets held for sale and that capital assets held for sale be reevaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits and Certificates of Deposit

At December 31, 2025 and 2024 the District's deposits and certificates of deposit consisted of the following:

<u>December 31,</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 18,041,795	\$ 7,569,045
Restricted cash and cash equivalents	7,590,366	10,432,232
Investments	-	8,586,775
Restricted investments	2,292,488	1,232,306
	<u>\$ 27,924,649</u>	<u>\$ 27,820,358</u>

The District maintains its deposits and certificates of deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2025 and 2024 the carrying amount of the District's deposits and certificates of deposit totaled \$27,924,649 and \$27,802,358, respectively, and the bank balances totaled \$27,934,152 and \$28,090,170 respectively. Of the bank balances, \$27,915,470 and \$28,090,170, were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District's name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's formal deposit policy for custodial credit risk requires deposits in banks which are in excess of the FDIC insurance coverage to be secured by the bank pledging securities in direct obligations of the United States of America or by approved security bonds. As of December 31, 2025 and 2024, \$18,682 and \$0, respectively, of the District's deposits and certificates of deposit were exposed to custodial credit risk.

Credit Risk

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk (continued)

in mutual funds shall be eligible investments pursuant to this section. However, the District's bond agreement further limits its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At December 31, 2025 and 2024, there are no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk

The District's investment policy limits investment maturities of less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value

GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

- Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.
- Level 2 (L2): Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Warren County Water District
Notes to Financial Statements**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value (Continued)

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2025:

As of December 31, 2025	Level 1	Level 2	Level 3	Total
Restricted Investments				
United States Treasuries	\$ 5,252,964	\$ -	\$ -	\$ 5,252,964
Debt securities - US government obligations	-	6,966,318	-	6,966,318
Total restricted investments	\$ 5,252,964	\$ 6,966,318	\$ -	\$ 12,219,282

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2024:

As of December 31, 2024	Level 1	Level 2	Level 3	Total
Restricted Investments				
United States Treasuries	\$ 3,707,834	\$ -	\$ -	\$ 3,707,834
Debt securities - US government obligations	-	8,050,532	-	8,050,532
Total restricted investments	\$ 3,707,834	\$ 8,050,532	\$ -	\$ 11,758,366

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025.

Debt and equity securities – Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based on the price or yield of similar debt securities.

**Warren County Water District
Notes to Financial Statements**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments consisted of the following at December 31, 2025 and 2024:

<i>December 31,</i>	2025	2024
Construction funds	\$ 3,405,273	\$ 7,458,692
Sinking funds	2,305,075	1,431,691
Depreciation funds	3,343,499	994,034
Customer deposits	829,007	1,780,121
	\$ 9,882,854	\$ 11,664,538

The construction funds contain unspent debt proceeds which are available for paying the cost of construction of projects related to the District's water and sewer system.

The sinking funds and debt service reserve funds are restricted to the payment of principal and interest on long-term debt.

The depreciation funds are restricted to payment for improvements and approved repairs.

The customer deposits fund is restricted to hold customer deposits until service is terminated.

NOTE 3: CUSTOMER ACCOUNTS RECEIVABLE

For the water and sewer systems, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to December 31, 2025 (unbilled receivable), is estimated and accrued at year end. If the District deems any amounts uncollectible an allowance for doubtful accounts is established. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

At December 31, 2025 and 2024, customer accounts receivable consist of the following:

<i>December 31,</i>	2025	2024
Billed	\$ 1,667,519	\$ 1,456,512
Unbilled	1,947,594	1,615,594
Total	3,615,113	3,072,106
Less allowance for uncollectibles	(518,024)	(492,632)
Customer accounts receivable - net	\$ 3,097,089	\$ 2,579,474

**Warren County Water District
Notes to Financial Statements**

NOTE 4: UTILITY PLANT

Utility plant activity for the year ended December 31, 2025 is as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Utility plant, not being depreciated				
Land and land rights	\$ 2,654,656	\$ -	\$ -	\$ 2,654,656
Construction in progress	28,865,730	49,615,175	12,590,990	65,889,915
Total utility plant, not being depreciated	31,520,386	49,615,175	12,590,990	68,544,571
Utility plant, being depreciated				
Buildings and improvements	25,635,540	-	-	25,635,540
Mains and pumping	176,509,383	11,706,967	-	188,216,350
Meters and hydrants	55,376,839	1,883,785	159,936	57,100,688
Office furniture and equipment	4,126,471	281,851	-	4,408,322
Equipment	3,808,106	417,298	126,066	4,099,338
Total utility plant, being depreciated	265,456,339	14,289,901	286,002	279,460,238
Less accumulated depreciation	82,216,409	6,994,667	237,664	88,973,412
Total utility plant, being depreciated, net	183,239,930	7,295,234	48,338	190,486,826
Total utility plant, net	\$ 214,760,316	\$ 56,910,409	\$ 12,639,328	\$ 259,031,397

**Warren County Water District
Notes to Financial Statements**

NOTE 4: UTILITY PLANT (Continued)

Utility plant activity for the year ended December 31, 2024 is as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Utility plant, not being depreciated				
Land and land rights	\$ 2,648,464	\$ 56,000	\$ 49,808	\$ 2,654,656
Construction in progress	13,657,366	27,273,654	12,065,290	28,865,730
Total utility plant, not being depreciated	16,305,830	27,329,654	12,115,098	31,520,386
Utility plant, being depreciated				
Buildings and improvements	24,983,046	652,494	-	25,635,540
Mains and pumping	158,578,931	17,935,703	5,251	176,509,383
Meters and hydrants	49,472,045	5,956,479	51,685	55,376,839
Office furniture and equipment	3,850,493	275,978	-	4,126,471
Equipment	3,387,786	633,886	213,566	3,808,106
Total utility plant, being depreciated	240,272,301	25,454,540	270,502	265,456,339
Less accumulated depreciation	75,823,046	6,662,387	269,024	82,216,409
Total utility plant, being depreciated, net	164,449,255	18,792,153	1,478	183,239,930
Total utility plant, net	\$ 180,755,085	\$ 46,121,807	\$ 12,116,576	\$ 214,760,316

Warren County Water District Notes to Financial Statements

NOTE 5: LONG-TERM DEBT

Long-term debt consists of the following:

<i>December 31,</i>	2025	2024
Revenue bonds, U.S. Department of Agriculture Series 2005A, with a 4.25% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2045.	\$ 873,000	\$ 901,000
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C11-02, with a 3.00% interest rate, payable monthly. Principal payments are due monthly until payoff June 1, 2033.	367,848	410,942
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2013B, with varying interest rates commencing at 2.30% and increasing to 3.30% over the life of the loan, payable semiannually. Principal payments are due annually every February 1, and vary until payoff on February 1, 2028.	315,000	470,000
Refunding revenue bonds, Kentucky Rural Water Finance Corporation Series 2016B, with varying interest rates between 2.25% and 3.25% over the life of the loan, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2030.	920,000	1,085,000
Note payable/direct borrowing, Kentucky Infrastructure Association Loan B19-006, with a 2.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	1,571,978	1,661,023
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C19-002, with a 3.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	1,605,560	1,689,214
Revenue bonds, U.S. Department of Agriculture Series 2019, with a 2.375% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2060.	607,000	615,000
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2021A, with a 4.00% to 4.30% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2039.	1,890,000	2,175,000

Warren County Water District Notes to Financial Statements

NOTE 5: LONG-TERM DEBT (CONTINUED)

<i>December 31,</i>	2025	2024
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2024D, with a 5.0% interest rate, payable semiannually. Principal payment is due on August 1, 2025.	-	11,880,000
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2025D, with a 3.475% interest rate, payable semiannually. Principal payment is due on July 15, 2027.	22,985,000	-
Total bonds and notes payable/direct borrowings	31,135,386	20,887,179
Net unamortized premium (discount) on bonds	95,071	230,862
Less current portion of bonds and notes payable	(713,922)	(12,736,793)
Net long-term debt	\$ 30,516,535	\$ 8,381,248

On June 8, 2021, the District issued \$2,930,000 in Refunding Revenue Bonds with an interest rate of 4.0 to 4.3 percent to refund \$400,000 of outstanding 1993 Series bonds with an interest rate of 4.5 percent, to refund \$530,000 of outstanding 2004 Series bonds with an interest rate of 4.3 and 4.5 percent, to refund \$1,380,000 of outstanding 2012 Series bonds with an interest rate of 3.2 to 4.2 percent, and to pay \$898,037 of an outstanding loan payable to the Kentucky Infrastructure Authority with an interest rate of 3.0 percent. The net proceeds were \$3,249,401 which was net of \$102,268 in underwriting fees, insurance, and other issuance costs. An additional \$211,326 of Series 1993, 2004, and 2012 sinking fund monies and original issuance premium of \$210,342 were used to refund the 1993, 2004, and 2012 Series bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$42,364. This difference is being charged to operations through the year 2048 using the effective-interest method. The District completed the refunding to reduce its total debt service payments over the next 18 years by \$457,120 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$339,362.

On July 30, 2024, the District issued \$11,880,000 in Revenue Bonds with an interest rate of 5.0 percent to finance extensions, additions, and improvements to the District's water and sewer system.

On July 17, 2025, the District issued \$22,985,000 in Revenue Bonds with an interest rate of 3.475 percent to refund \$11,880,000 of outstanding 2024 Series bonds with an interest rate of 5.0 percent. The net proceeds were \$22,794,224 which was net of \$391,381 in underwriter's discount and issuance costs.

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

The District's outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the District is unable to make a payment at the times specified in the agreement.

**Warren County Water District
Notes to Financial Statements**

NOTE 5: LONG-TERM DEBT (CONTINUED)

Unamortized net premiums and (discounts) on the debt issuances totaled \$95,071 and \$230,862 as of December 31, 2025 and 2024, respectively. Related amortization income/(expenses) for the years ended December 31, 2025 and 2024 totaled \$135,791 and 104,242 respectively.

The following is a summary of long-term debt transactions for the year ended December 31, 2025:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 2005A	\$ 901,000	\$ -	\$ 28,000	\$ 873,000	\$ 29,000
KIA C11-02	410,942	-	43,093	367,849	44,404
KRWFC 2013B	470,000	-	155,000	315,000	140,000
KRWFC 2016B	1,085,000	-	165,000	920,000	175,000
KIA B19-006	1,661,023	-	89,045	1,571,978	90,835
KIA C19-002	1,689,214	-	83,655	1,605,559	86,183
USDA Series 2019	615,000	-	8,000	607,000	8,500
KRWFC 2021A	2,175,000	-	285,000	1,890,000	140,000
KRWFC 2024D	11,880,000	-	11,880,000	-	-
KRWFC 2025D	-	22,985,000	-	22,985,000	-
	<u>\$ 20,887,179</u>	<u>\$ 22,985,000</u>	<u>\$ 12,736,793</u>	<u>\$ 31,135,386</u>	<u>\$ 713,922</u>

The following is a summary of long-term debt transactions for the year ended December 31, 2024:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 2005A	\$ 928,000	\$ -	\$ 27,000	\$ 901,000	\$ 28,000
KIA C11-02	452,763	-	41,821	410,942	43,093
KRWFC 2013B	625,000	-	155,000	470,000	155,000
KRWFC 2016B	1,250,000	-	165,000	1,085,000	165,000
KIA B19-006	1,748,314	-	87,291	1,661,023	89,045
KIA C19-002	1,770,415	-	81,201	1,689,214	83,655
USDA Series 2019	623,000	-	8,000	615,000	8,000
KRWFC 2021A	2,440,000	-	265,000	2,175,000	285,000
KRWFC 2022D	11,370,000	-	11,370,000	-	-
KRWFC 2024D	-	11,880,000	-	11,880,000	11,880,000
	<u>\$ 21,207,492</u>	<u>\$ 11,880,000</u>	<u>\$ 12,200,313</u>	<u>\$ 20,887,179</u>	<u>\$ 12,736,793</u>

**Warren County Water District
Notes to Financial Statements**

NOTE 5: LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2025 are as follows:

Year(s)	Principal	Interest	Total
2026	\$ 713,922	\$ 1,030,790	\$ 1,744,712
2027	23,721,203	977,478	24,698,681
2028	644,141	179,752	823,893
2029	621,739	159,188	780,927
2030-2034	2,444,608	567,530	3,012,138
2035-2039	1,953,995	290,808	2,244,803
2040-2044	612,778	95,497	708,275
2045-2049	142,500	40,118	182,618
2050-2054	114,000	26,743	140,743
2055-2059	137,500	11,745	149,245
2060	29,000	344	29,344
Total	\$ 31,135,386	\$ 3,379,993	\$ 34,515,379

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$31,135,386 in water system long-term debt. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2060. The total principal and interest remaining to be paid on the bonds is \$34,515,379. Principal and interest paid for the current year and total customer net revenues were \$13,583,411 and \$25,616,716 respectively.

NOTE 6: RELATED PARTIES

The District provides management, engineering, and repair and maintenance services to both, the Butler County Water System and Simpson County Water District as defined in the "Joint Operations Agreement" dated February 14, 2019. In the ordinary course of business, the District has and expects to continue to have transactions with Butler County Water System and Simpson County Water District.

In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

**Warren County Water District
Notes to Financial Statements**

NOTE 6: RELATED PARTIES (Continued)

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2025:

	Accounts Receivable	Accounts Payable
Butler County Water System	\$ 279,298	\$ 8,766
Simpson County Water District	\$ 271,620	\$ 21,973

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2024:

	Accounts Receivable	Accounts Payable
Butler County Water System	\$ 243,072	\$ 4,759
Simpson County Water District	\$ 185,162	\$ 21,129

For the year ended December 31, 2025, the District allocated expenses to related parties as follows:

Description	Butler County Water System	Simpson County Water District
Wages and benefits:		
Operation	\$ 643,462	\$ 300,180
Administrative:		
Supervision and administration	159,669	116,748
Accounting	59,628	43,599
Customer service	92,507	62,047
Engineering	3,706	8,667
Operations - other	553,706	329,387
Additions to plant	178,889	460,665
Special projects	1,278	33,859
Totals	\$ 1,692,845	\$ 1,355,152

**Warren County Water District
Notes to Financial Statements**

NOTE 6: RELATED PARTIES (Continued)

For the year ended December 31, 2024, the District allocated expenses to related parties as follows:

Description	Butler County Water System	Simpson County Water District
Wages and benefits:		
Operation	\$ 603,444	\$ 334,120
Administrative:		
Supervision and administration	157,721	113,362
Accounting	53,498	38,452
Customer service	96,770	51,448
Engineering	3,166	10,157
Operations - other	413,054	231,561
Additions to plant	284,496	391,570
Special projects	3,533	15,941
Totals	\$ 1,615,682	\$ 1,186,611

NOTE 7: MAJOR SUPPLIER

The District purchases all water and sewer services from the Bowling Green Municipal Utilities (“BGMU”). The agreement was renewed on December 4, 2018 for an additional forty-five years. Any rate adjustments are approved by BGMU, the District, and the Kentucky Public Service Commission.

NOTE 8: EMPLOYEE RETIREMENT PLAN

Plan Description

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan (“RS Plan”) administered by the National Rural Electric Cooperative Association (“NRECA”), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78.

Financial Information

The RS Plan publishes a financial statement and a copy can be obtained by writing or calling the Plan Administrator, NRECA, PO Box 6007, Lincoln, NE, 68506; telephone number 866-NRECA99. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145; PN 333).

NOTE 8: EMPLOYEE RETIREMENT PLAN (Continued)

Benefits Provided

The District had 74 and 65 employees participating in the RS Plan on December 31, 2025 and 2024, respectively. Upon retirement at the normal age of sixty-two, the annual estimated benefit is calculated as: Benefit Level (1.6% eligible service years from January 1, 1976 to April 1, 1999, 1.85% for service years from April 1, 1999 to January 1, 2018, and 1% for service years after January 1, 2018) multiplied by the number of continuous years in the plan multiplied by the average of the highest five salary years. Other plans were in effect prior to January 1, 1976 and benefit calculations will vary in accordance with an employee's hire date. The District decreased the normal retirement age to sixty-two and increased the benefit level. The District's Board of Commissioners has the authority to amend certain terms of the RS Plan, including benefit levels provided for each year of service, normal retirement age, eligibility for participation, and required employee contributions to the plan. Other terms such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by the District. Each employer in the RS plan elects to participate in the plan.

Contribution Requirements

The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payrolls over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level). The District must contribute annually in accordance with the terms of the RS Plan. The District's Board of Commissioners may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. The District's contribution rate for Year 2025 and 2024 was 12.40% of employees' base pay for those employees who have been employed with the District for over one year and have worked the number of hours to qualify.

Contribution Requirements (Continued)

The District can choose to withdraw from the RS Plan, subject to plan provisions that require the District to fully fund its share of the RS Plan liabilities before withdrawing.

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired District employees and their dependents under certain conditions. A summary of retiree medical, prescription drug and dental insurance benefits are in the District's Operating Policy NO. 109, paragraph J. This Operating Policy may be obtained by writing to Jacob Cuarta, General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Benefits Provided

Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement after reaching age 60 and meeting a combined age plus years of service of at least 75. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

Plan Membership

Plan membership consisted of the following:

<i>December 31,</i>	2025	2024
Inactive members currently receiving benefits	5	5
Active members	78	78
Total	83	83

Investment Policy

The District’s obligation is unfunded at December 31, 2025 and 2024. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Contributions

The contribution requirements of retired employees are established and may be amended by the District's Board of Commissioners. If an employee retires at a minimum age of 60 and their age plus years of service equals 75, the District will pay 70 percent of the premium for employee and spouse coverage for a period not to exceed 5 years. All retirees and their spouses may be allowed to retain the coverage as set forth with 100 percent of the premium being paid by the retiree. For fiscal years 2025 and 2024 respectively, the District contributed \$48,314 and \$42,194 towards the healthcare plan.

**Warren County Water District
Notes to Financial Statements**

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

2024 Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2025. The following actuarial assumptions were applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Alternative Measurement Method (AMM)
Measurement Date	December 31, 2024
Valuation Date	December 31, 2024
Reporting Date	December 31, 2024
Measurement Period	January 1, 2024 to December 31, 2024
Discount Rate	4.08%
As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 4.08% as of December 31, 2024.	
General Inflation	3.00% per year
Salary Increases	2.50% per year
Health Care Cost Trend Rates	4% - all years
Mortality	2020 United States Life Tables

This AMM valuation reflects the following changes in assumptions from the prior actuarial valuation.

2024 Discount Rate

The discount rate used to measure the OPEB liability was 4.08% for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate changed from the prior measurement date.

Total OPEB Liability

	As of <u>December 31, 2024</u>
Actuarial Present Value of Future Benefits	
Retired - Employees/Spouses	\$ 92,597
Actives - Employees/Spouses	<u>2,409,371</u>
Total	<u><u>\$ 2,501,968</u></u>
Total OPEB Liability	
Retired - Employees/Spouses	\$ 92,597
Actives - Employees/Spouses	<u>1,063,693</u>
Total	<u><u>\$ 1,156,290</u></u>

**Warren County Water District
Notes to Financial Statements**

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Total OPEB Liability (Continued)

As of December 31, 2025 and 2024, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

Changes in the Total OPEB Liability

<i>December 31,</i>	2025	2024
Balance Forward - beginning of year	\$ 1,156,290	\$ 1,139,228
Changes for the year:		
Service cost	93,854	76,865
Interest in the total OPEB liability	50,020	44,453
Changes in benefits	-	-
Difference between expected and actual experience	-	(31,001)
Changes in assumptions	-	(31,061)
Benefit payments, including employee refunds	(48,314)	(42,194)
Net changes	95,560	17,062
Balance, end of year	\$ 1,251,850	\$ 1,156,290

OPEB Expense

	Year Ended December 31, 2025	Year Ended December 31, 2024
Service Cost	\$ 93,854	\$ 76,865
Interest on Total OPEB Liability	50,020	44,453
Effect of Plan Changes	-	-
Economic/Demographic (Gains)/Losses	-	(31,001)
Assumption Changes	-	(31,061)
OPEB Expense	\$ 143,874	\$ 59,256

Expected Remaining Service Lives

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members,

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Expected Remaining Service Lives (Continued)

determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members. However, if using AMM procedures, changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

2025 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (3.08%) and 1-percentage-point higher (5.08%) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
District's total OPEB liability	\$ 1,344,701	\$ 1,251,850	\$ 1,154,692

2025 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (3.00%) and 1-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rate (4.0%)	1% Increase (5.0%)
District's total OPEB liability	\$ 1,103,808	\$ 1,251,850	\$ 1,428,725

NOTE 10: OTHER EMPLOYEE BENEFITS

The District currently participates in 401(a) and 457(b) retirement plans through Transamerica Retirement Solutions Corporation. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to employees who have been employed for over one year and consists of a 3% contribution and a 100% matching contribution of up to 4% of the employee's base salary. For the year ended December 31, 2025 and 2024, respectively, the District contributed \$330,852 and \$299,664 to the 401(a) plan.

NOTE 10: OTHER EMPLOYEE BENEFITS (CONTINUED)

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2025 and 2024, the District's accrued compensated absences for annual leave totaled \$557,739 and \$468,719, respectively.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2025 and 2024, the District's accrued compensated absences for sick leave totaled \$41,778 and \$44,136, respectively.

NOTE 11: 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 12: COMMITMENTS

New Office Complex. The District has outgrown its current office complex located on US Highway 31W Bypass and has entered into a contract to construct a new office complex located on Russellville Road. The office complex includes an administrative office of approximately 32,000 square feet and a maintenance building consisting of a fleet garage, meter testing laboratory, and inventory warehouse of approximately 20,000 square feet. The guaranteed maximum construction cost of \$14,430,670 will be funded with a bond anticipation note through Rural Water Financing Agency (RWFA) and internal funds. The estimated completion date is May 2026, and total construction costs incurred through December 31, 2025 totaled \$9,687,094.

City-County Phase 3 Water & Sewer Extension. The District has entered into a contract with the Intermodal Transportation Authority (ITA) to extend water and sewer service into the 3rd phase of the joint City-County development as well as improve water and sewer accessibility to the Sunnyside-Gott area. The anticipated expenditure for this contract is \$66,000,000 with \$46,000,000 initially secured, and during the 2024 Kentucky Legislative Session an additional \$20,000,000 was allocated to the ITA for the remaining funding requirement. The City-County development will reimburse the District for all design and construction, and total costs incurred through December 31, 2025 totaled \$50,112,044.

NOTE 12: COMMITMENTS (CONTINUED)

CWP Water & Sewer Improvements. In 2021 and 2022 the District received grants for water and wastewater system improvements from the Commonwealth of Kentucky through Kentucky's Cleaner Water Program (CWP). Both grant awards are provided through the American Rescue Plan Act of 2021. The grants were awarded in two rounds CWP Round 1 and CWP Round 2. Grants awarded through CWP Round 1 total: \$2,440,372 and grants awarded through CWP Round 2 total: \$4,086,720. These grants will fund water and sewer projects (including costs incurred through 12/31/2025) in Greenhill (\$284,300), Rockfield (\$26,407), Alvaton (\$59,364), Southwest Parkway (\$1,014,768), and Nashville Road (\$247,469) areas in Warren County. Through December 31, 2025, total costs incurred totaled \$1,632,308.

WCPS Sewer Extension. The District has entered into a connection agreement with Warren County Public Schools (WCPS) to design and construct a sanitary sewer extension to serve a new elementary school on Brookwood Drive. Costs for the sewer extension will be paid by WCPS and reimbursed to the District. The current estimated cost of construction is \$1,112,000. Construction began in November 2024. Through December 31, 2025, total costs totaled \$984,630.

**Warren County Water District
Schedule of Employer Required Contributions**

RETIREMENT SECURITY PLAN

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 597,271	\$ 518,013	\$ 528,608	\$ 407,968	\$ 376,320	\$ 371,285	\$ 343,827	\$ 335,398	\$ 782,066	\$ 785,396

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

Warren County Water District Notes to the Schedule of Employer Required Contributions

The table below summarized the District's contribution rates, contractually required contribution amounts, and factors significantly affecting contribution rates for the RS Plan.

Year	Contribution Rate	Contribution Amount Required and Paid	Average Age	Factors Significantly Affecting Contribution Rate
2016	27.17%	\$ 785,396	44	Increase in the average age of District participants and lower than assumed 7.75% expected annual return.
2017	27.55%	\$ 782,066	45	Increase in the average age of District participants.
2018	11.86%	\$ 335,398	45	Decrease in the contribution rate due to prepayment of unfunded balance and reduction of benefits.
2019	11.55%	\$ 343,827	43	Decrease in the average age of District participants.
2020	11.56%	\$ 371,285	42	Decrease in the average age of District participants.
2021	12.13%	\$ 376,320	43	Increase in the average age of District participants.
2022	12.83%	\$ 407,968	45	Increase in the average age of District participants.
2023	12.75%	\$ 528,608	43	Decrease in the average age of District participants.
2024	12.40%	\$ 518,013	41	Decrease in the average age of District participants.
2025	12.40%	\$ 597,271	41	No change in the average age of District participants.

Warren County Water District

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 93,854	\$ 76,865	\$ 74,990	\$ 116,586	\$ 113,742	\$ 88,789	\$ 86,623	\$ 54,508
Interest	50,020	44,453	41,582	33,438	31,305	64,112	61,497	35,620
Changes of benefit terms	-	-	-	-	-	-	-	406,050
Difference between expected and actual experience	-	(31,001)	-	(398,737)	-	(209,922)	-	136,938
Changes of assumptions	-	(31,061)	-	(124,920)	-	9,064	-	(24,914)
Benefit payments	(48,314)	(42,194)	(40,572)	(47,581)	(47,085)	(81,011)	(91,962)	(73,479)
Net change in total OPEB liability	95,560	17,062	76,000	(421,214)	97,962	(128,968)	56,158	534,723
Total OPEB liability - beginning	1,156,290	1,139,228	1,063,228	1,484,442	1,386,480	1,515,448	1,459,290	924,567
Total OPEB liability - ending	\$ 1,251,850	\$ 1,156,290	\$ 1,139,228	\$ 1,063,228	\$ 1,484,442	\$ 1,386,480	\$ 1,515,448	\$ 1,459,290
Covered-employee payroll	\$ 5,686,342	\$ 5,547,651	\$ 4,794,062	\$ 4,677,134	\$ 4,007,172	\$ 3,909,436	\$ 3,409,453	\$ 3,326,296
District total OPEB liability as a percentage of covered-employee payroll	22.02%	20.84%	23.76%	22.73%	37.04%	35.46%	44.45%	43.87%

NOTE: GASB codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.

Warren County Water District Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Notes to Schedule

Changes of Benefit Terms

In 2018 there was a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change. There was no change in the benefit terms for 2019, 2020, 2021, 2022, 2023, 2024, or 2025.

Changes of Assumptions

In 2018, the discount rate was increased from 3.78% to 4.10%. There was no change in assumptions for 2019.

In 2020, the discount rate was decreased from 4.10% to 2.12%. Future health care cost trend rates were adjusted from 5% to 4%. There was no change in assumptions for 2021.

In 2022, the discount rate was increased from 2.12% to 3.72%. There was no change in assumptions for 2023.

In 2024, the discount rate was increased from 3.72% to 4.08%. There was no change in assumptions for 2025.

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2025

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Metered water revenue	\$ 17,909,500	\$ 17,818,000	\$ 18,112,490	\$ 294,490
Metered sewer revenue	7,067,100	6,936,100	7,053,474	117,374
Forfeited discounts	361,600	265,100	267,056	1,956
Miscellaneous service revenue	227,400	181,500	182,496	996
Other water revenue	600	600	600	-
Other sewer revenue	600	600	600	-
Total revenues	25,566,800	25,201,900	25,616,716	414,816
Expenses				
Salaries and wages	2,863,800	2,973,800	2,926,598	47,202
Commissioner fees	30,000	30,000	30,000	-
Fringe benefits	1,763,900	1,752,900	1,720,347	32,553
Purchased water	8,490,200	8,490,200	8,037,878	452,322
Sewage disposal	3,682,400	4,032,400	3,794,004	238,396
Purchased power	786,600	851,600	827,182	24,418
Chemicals	35,600	35,600	28,610	6,990
Materials and supplies	516,600	548,600	518,723	29,877
Contractual services - engineering	18,800	-	-	-
Contractual services - accounting	43,000	43,000	36,322	6,678
Contractual services - legal	91,400	91,400	70,568	20,832
Contractual services - other	1,141,800	1,294,800	1,250,823	43,977
Rental of building / property	60,000	63,000	57,410	5,590
Equipment expense	407,300	425,300	400,779	24,521
Insurance - general liability	96,200	105,700	103,305	2,395
Insurance - other	5,200	6,200	5,230	970
Regulatory expense	34,900	87,900	88,766	(866)
Bad debt expense	17,600	33,100	25,392	7,708
Miscellaneous expense	50,600	75,800	71,581	4,219
Depreciation	7,178,800	6,838,800	6,669,787	169,013
Total expenses	27,314,700	27,780,100	26,663,305	1,116,795

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2025

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Other (Revenues) and Expenses				
Interest income	(773,200)	(822,900)	(864,248)	41,348
Rental income - utility property	(122,400)	(105,900)	(121,073)	15,173
Non-Utility income	(93,400)	(90,900)	(83,357)	(7,543)
(Gain) loss on Investments	-	3,000	-	3,000
Disposition (gain) loss - net	-	(41,700)	1,647	(43,347)
Unamortized debt expense	434,600	404,200	393,802	10,398
Interest expense	1,020,500	952,200	882,419	69,781
Total other (revenues) expenses	466,100	298,000	209,190	88,810
Total expenses	27,780,800	28,078,100	26,872,495	1,205,605
Income (loss) before capital contributions	(2,214,000)	(2,876,200)	(1,255,779)	1,620,421
Capital contributions	28,003,700	28,716,000	34,013,502	5,297,502
Change in net position	\$ 25,789,700	\$ 25,839,800	\$ 32,757,723	\$ 6,917,923

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 4,654,565	\$ 13,387,230	\$ -	\$ 18,041,795
Accounts receivable:				
Customer accounts receivable, net of allowance for uncollectibles	2,185,770	911,319	-	3,097,089
Accounts receivable – Butler County Water System	139,085	-	-	139,085
Accounts receivable – Simpson County Water District	173,002	19	-	173,021
Accounts receivable – Water Division	-	609,967	(609,967)	-
Accounts receivable – Sewer Division	193,572	-	(193,572)	-
Other accounts receivable	4,133,343	94,267	-	4,227,610
Interest receivable	17,272	18,831	-	36,103
Materials and supplies inventory	3,069,169	-	-	3,069,169
Prepaid expenses	127,500	21,908	-	149,408
Total current assets	14,693,278	15,043,541	(803,539)	28,933,280
Non-current assets				
Utility Plant				
Utility plant in service	183,184,047	98,930,847	-	282,114,894
Construction in progress	30,979,006	34,910,909	-	65,889,915
Less accumulated depreciation	(63,869,869)	(25,103,543)	-	(88,973,412)
Total utility plant, net	150,293,184	108,738,213	-	259,031,397

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Non-current assets				
Right-to-use lease asset	32,163	-	-	32,163
Restricted cash and equivalents	5,665,166	1,925,200	-	7,590,366
Restricted investments	1,146,244	1,146,244	-	2,292,488
Investments	-	-	-	-
Accounts receivable:				
Accounts receivable – Butler County Water System	140,213	-	-	140,213
Accounts receivable – Simpson County Water District	98,599	-	-	98,599
Accounts receivable – Sewer Division	186,103	-	(186,103)	-
Other assets	316,145	184,884	-	501,029
Total non-current assets	157,877,817	111,994,541	(186,103)	269,686,255
Total assets	172,571,095	127,038,082	(989,642)	298,619,535
Deferred outflows of resources				
Deferred outflows related to retirement security plan	329,936	-	-	329,936
Total deferred outflows of resources	329,936	-	-	329,936

Warren County Water District Statement of Net Position by Division

<i>December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Liabilities				
Current liabilities				
Accounts payable	7,784,827	2,799,409	-	10,584,236
Accounts payable – Butler County Water System	8,766	-	-	8,766
Accounts payable – Simpson County Water District	21,973	-	-	21,973
Accounts payable – Water Division	-	379,675	(379,675)	-
Accounts payable – Sewer Division	609,967	-	(609,967)	-
Accrued expenses	1,183,132	438,499	-	1,621,631
Contractor advances for construction	123,731	103,505	-	227,236
Lease liability	32,163	-	-	32,163
Current portion of long-term debt	565,623	148,299	-	713,922
Total current liabilities	10,330,182	3,869,387	(989,642)	13,209,927
Non-current liabilities				
Long-term Obligations				
Bonds and loans payable	873,000	607,000	-	1,480,000
Notes payable	11,158,495	18,496,891	-	29,655,386
Net unamortized bond premium (discount)	47,984	47,087	-	95,071
Less: Current portion of long-term debt	(565,623)	(148,299)	-	(713,922)
Net long-term obligations	11,513,856	19,002,679	-	30,516,535
Customer meter deposits	1,339,114	470,076	-	1,809,190
Rebates payable	2,463,841	1,097,862	-	3,561,703
Unearned revenue for cellular leases	476,447	-	-	476,447
Other post employment benefit obligation	1,251,850	-	-	1,251,850
Total non-current liabilities	17,045,108	20,570,617	-	37,615,725
Total liabilities	27,375,290	24,440,004	(989,642)	50,825,652

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Net Position				
Net investment in capital assets	139,369,421	90,958,307	-	230,327,728
Restricted for depreciation reserves	967,004	84,006	-	1,051,010
Unrestricted	5,189,316	11,555,765	-	16,745,081
Total net position	\$ 145,525,741	\$ 102,598,078	\$ -	\$ 248,123,819

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Revenues				
Metered sales				
Residential	\$ 11,369,677	\$ 3,060,010	\$ -	\$ 14,429,687
Industrial	3,202,032	2,883,719	-	6,085,751
Commercial	3,540,781	1,109,745	-	4,650,526
Total metered sales	18,112,490	7,053,474	-	25,165,964
Forfeited discounts	194,097	72,959	-	267,056
Miscellaneous service revenue	160,409	23,287	-	183,696
Total operating revenues	18,466,996	7,149,720	-	25,616,716
Operating Expenses				
Source of supply expense				
Purchased water	8,037,878	-	-	8,037,878
Sewage disposal	-	3,794,004	-	3,794,004
Total source of supply expense	8,037,878	3,794,004	-	11,831,882
Pumping plant expense				
Salaries and benefits	136	-	-	136
Power purchased	609,255	198,469	-	807,724
Chemicals	185	28,425	-	28,610
Contractual services	4,404	4,676	-	9,080
Rental expense	4,921	-	-	4,921
Insurance	13,676	6,491	-	20,167
Total pumping plant expense	632,577	238,061	-	870,638

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Expenses (Continued)				
Transmission and distribution expense				
Salaries and benefits	1,787,700	279,120	-	2,066,820
Power purchased	19,458	-	-	19,458
Contractual services	218,093	102,210	-	320,303
Rental expense	18,863	-	-	18,863
Transportation	270,263	39,963	-	310,226
Insurance	58,122	3,780	-	61,902
Materials and supplies	423,400	40,389	-	463,789
Total transmission and distribution expense	2,795,899	465,462	-	3,261,361
Customer accounts expense				
Salaries and benefits	1,060,729	191,846	-	1,252,575
Contractual services	260,318	80,314	-	340,632
(Recovery) uncollectible accounts - net	19,965	5,427	-	25,392
Rental expense	28,705	-	-	28,705
Transportation	84,323	175	-	84,498
Insurance	6,838	3,780	-	10,618
Regulatory expense	27,307	24,581	-	51,888
Miscellaneous	8,568	419	-	8,987
Materials and supplies	22,624	989	-	23,613
Total customer accounts expense	1,519,377	307,531	-	1,826,908

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Expenses (Continued)				
Administrative and general expense				
Salaries and benefits	1,062,154	265,260	-	1,327,414
Office supplies	22,139	9,182	-	31,321
Commissioner fees	15,000	15,000	-	30,000
Contractual services	537,672	150,026	-	687,698
Insurance	9,523	6,325	-	15,848
Rental expense	4,921	-	-	4,921
Regulatory commission expense	26,711	10,167	-	36,878
Miscellaneous	45,757	16,837	-	62,594
Transportation	5,670	385	-	6,055
Total administrative and general expense	1,729,547	473,182	-	2,202,729
Depreciation	4,238,177	2,431,610	-	6,669,787
Total operating expenses	18,953,455	7,709,850	-	26,663,305
Operating loss	(486,459)	(560,130)	-	(1,046,589)
Non-Operating Revenues (Expenses)				
Interest income	299,718	564,530	-	864,248
Rental income (expense)	129,298	(8,225)	-	121,073
Non-utility income	83,357	-	-	83,357
Gain (loss) on disposal of assets	(1,647)	-	-	(1,647)
Debt issuance cost	(126,871)	(266,931)	-	(393,802)
Interest expense	(387,299)	(495,120)	-	(882,419)
Total non-operating revenues (expenses) - net	(3,444)	(205,746)	-	(209,190)

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2025</i>	Water Division	Sewer Division	Eliminating Entries	Total
Loss before capital contributions	(489,903)	(765,876)	-	(1,255,779)
Capital contributions	17,989,793	16,023,709	-	34,013,502
Change in net position	17,499,890	15,257,833	-	32,757,723
Total net position – beginning of year	128,025,851	87,340,245	-	215,366,096
Total net position – end of year	\$ 145,525,741	\$ 102,598,078	\$ -	\$ 248,123,819



CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.

922 State Street

Suite 100

Bowling Green, KY 42101

Mailing Address:

PO Box 104

Bowling Green, KY 42102

270.782.0700

270.782.0932 (fax)

CRIadv.com

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*

Board of Commissioners
Warren County Water District
Bowling Green, 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 Warren County Water District (the "District"), a component unit of Warren County, Kentucky, 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, and have issued our report thereon dated April 10, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.
Bowling Green, Kentucky
April 10, 2026



REQUIRED COMMUNICATIONS





CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.

922 State Street
Suite 100
Bowling Green, KY 42101

Mailing Address:
PO Box 104
Bowling Green, KY 42102

270.782.0700
270.782.0932 (fax)
CRLadv.com

April 10, 2026

To the Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

We are pleased to present the results of our audit of the December 31, 2025 financial statements of the Warren County Water District (the "District"), a component unit of Warren County, Kentucky.

This report to the Board of Commissioners and management summarizes our audit, the report issued and various analyses and observations related to the District's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the District's December 31, 2025 financial statements. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the District's personnel.

At Carr, Riggs & Ingram, L.L.C. (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the use of management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 270-782-0700 or scompton@criadv.com.

Very truly yours,

A handwritten signature in black ink that reads "Shelly G. Compton".

Shelly G. Compton, CPA, CGMA
Partner



As discussed with the Board of Commissioners and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the District. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board and management, 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, in order to express an opinion on the District's financial statements for the year ended December 31, 2025.
- 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*.
- Communicate directly with the Commissioners and management regarding the results of our procedures;
- Address with the Board of Commissioners and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Commissioners and management; and
- Address other audit-related projects as they arise and upon request.



We have audited the financial statements of the District for the year ended December 31, 2025, and have issued our report thereon dated April 10, 2026. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Auditor's responsibility under Generally Accepted Auditing Standards (and if applicable, Government Auditing Standards and the Uniform Guidance)</p>	<p>As stated in our engagement letter dated February 9, 2026, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) and <i>Government Auditing Standards</i>. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of net position, revenues, expenses, and changes in net position, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the District and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the District's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.</i> <i>Critical accounting policies and practices applied by the District in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>The significant accounting policies used by the District are described in Note 1 to the financial statements.</p> <p>New accounting policies were adopted during the fiscal year. The adoption of GASBs 101 and 102 had no impact on the financial statements</p> <p>We noted no transactions entered into by the District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were: The disclosure of unbilled revenue and other post-employment benefits in Notes 3 and 9, respectively, to the financial statements.</p> <p>Further, the disclosures in the District's financial statements are neutral, consistent, and clear.</p>
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	<p>None noted.</p>
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None noted.</p>
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the District, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board of Commissioners about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	<p>See "Summary of Audit Adjustments" section.</p>
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>To our knowledge, there were no such consultations with other accountants.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See "Management Representation Letter" section.</p>
<p>Internal control deficiencies <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	<p>See "Internal Control Findings" section.</p>
<p>Fraud and illegal acts <i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Other information in documents containing audited financial statements <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. • We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
<p>Significant unusual accounting transactions <i>Auditor communication with governance to include auditor's views on policies and practices management used, as well as the auditor's understanding of the business purpose.</i></p>	<p>No significant unusual accounting transactions were noted during the year.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Required Supplementary Information <i>The auditor's responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>
<p>Supplementary Information in relation to the financial statements as a whole <i>The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>

Accounting Policies, Judgments, and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the District's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Commissioners may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Other post-employment benefit obligation	The District records a liability for its post-employment benefits obligation other than pensions in accordance with GASB Statement 75.	X	The OPEB liability is projected using methods and assumptions as provided in the most recent actuarial valuation, in accordance with the provisions of GASB Statement 75. Health care cost trend rates were based on market assessments.	We evaluated the assumptions used by the actuary in determining the total OPEB liability and found them to be in accordance with the provisions of GASB statement 75 and reasonable in relation to the financial statements taken as a whole.
Depreciation of property and equipment	The District depreciates property and equipment using the straight-line method.	X	The District depreciates property and equipment over their estimated useful lives which are based on the experience with similar assets and guidance provided by ASC 360.	The District's recognition methods and disclosures appear appropriate.

**Accounting Policies, Judgments, and Sensitive Estimates
& CRI Comments on Quality**



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Unbilled Revenue	Assets for unbilled revenue attributable to services already rendered are accrued as customers use District services.	X	The District has numerous billing cycles with fluctuating dates, unbilled revenue is based on a percentage of average daily usage, which varies for each cycle date.	The District's policies are in accordance with all applicable accounting guidelines and GASB.
Rebates Payable	The cost of rebates expected to be paid is estimated and is charged to expense in the period in which the claims have been asserted.	X	Judgments in this area relate to the amount of developer rebates that are anticipated to be paid in future years.	The District's policies are in accordance with all applicable accounting guidelines and GASB.



During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the District or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditor's judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Recorded Adjustments

There were no corrected adjustments as a result of our audit procedures.

Passed Adjustments

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the District's operating environment that has been identified as playing a significant role in the District's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.

Summary of Audit Adjustments



		Effect on Financial Statements - Over (Under) Statement					
Description	Amount of Difference	Total Assets	Total Liabilities	Fund Balance	Revenues	Expenditures	Change in Fund Balance
To record additional costs related to purchased water	\$ 356,257	\$ -	\$(356,257)	\$ -	\$ -	\$ (356,257)	\$ 356,257
Net Effect		\$ -	\$(356,257)	\$ -	\$ -	\$ 356,257)	\$ 356,257



Warren County
Water District

April 10, 2026

Carr, Riggs & Ingram, L.L.C.
922 State Street
Bowling Green, KY 42102-0104

This representation letter is provided in connection with your audits of the financial statements of Warren County Water District, a component unit of Warren County, Kentucky, which comprise the financial position as of December 31, 2025 and 2024, and the changes in financial position and, where applicable, cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 10, 2026, the following representations made to you during your audits.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 9, 2026, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or

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- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.
- 11) In regard to the preparation of financial statements and related notes, we have—
 - a) Assumed all management responsibilities.
 - b) Designated Jeff Peebles, who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
 - e) Ensured that the data and records are complete, and we have sufficient information to oversee the services.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the District and involves—
 - Management,
 - Employees who have significant roles in internal control, or



- Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
 - 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
 - 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
 - 19) We have disclosed to you the names of the District's related parties and all the related party relationships and transactions, including any side agreements.
 - 20) We agree with the findings of specialists in evaluating the valuation of OPEB liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
 - 21) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - 22) We acknowledge the oral communications made by the auditor.

Government-specific

- 23) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 24) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 25) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 26) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 28) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No. 87 .
- 29) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.



- 30) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 31) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 32) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 33) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 34) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 35) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 36) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 37) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 38) Provisions for uncollectible receivables have been properly identified and recorded.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you



any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- 44) With respect to the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division
- a) We acknowledge our responsibility for presenting the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the schedule of budgetary comparison; statement of net position by division; and statement of revenues, expenses, and changes in net position by division is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature:

Title: General Manager



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CRI's CEO ACTION FOR DIVERSITY AND INCLUSION

Carr, Riggs & Ingram is committed to fostering an inclusive and diverse place for all employees to work in and engage. When our managing partner and chairman, Bill Carr, signed the CEO Action for Diversity & Inclusion™ pledge, he made a public commitment to building a productive, diverse, and inclusive workplace. [Learn more about CRI's commitment to Diversity and Inclusion.](#)