

**Monroe County Water District**  
**Financial Statements**  
**December 31, 2025 and 2024**



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## INDEPENDENT AUDITOR'S REPORT

Monroe County Water District  
Tompkinsville, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control. Misstatements are considered material if there is 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 Monroe County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Monroe County Water District's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 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 opinions on the financial statements that collectively comprise the Monroe County Water District's basic financial statements. The accompanying budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2026 on our consideration of the Monroe County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Monroe County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Monroe County Water District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

April 27, 2026

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Monroe County Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal years ending December 31, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

For the year ending December 31, 2025, total operating and non-operating revenues (including capital contributions) totaled \$3,419,942. This represents a 2% increase in total revenues from the prior year.

Total operating and non-operating expenses amounted to \$3,435,708 an increase of \$336,322 from the prior year. The district had increases in wages and benefits as well as chemicals and repairs and maintenance.

Total assets decreased by \$1,041,032 and total liabilities decreased by \$1,025,266. These changes resulted in a decrease in net position of \$15,766.

### **Overview of the Financial Statements**

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the Financial Statements.

### **Required Financial Statements**

The financial statements of Monroe County Water District report information of Monroe County Water District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of Monroe County Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Monroe County Water District creditors (liabilities). It also provides the basis for evaluation of the capital structure of Monroe County Water District and assessing the liquidity and financial flexibility of Monroe County Water District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of Monroe County Water District's operations over the past year and can be used to determine whether Monroe County Water District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as, where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Monroe County Water District  
Summary of Net Position  
December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Total current assets	\$ 2,233,654	\$ 3,709,542
Total restricted assets	1,169,556	1,127,019
Net capital assets	<u>22,552,552</u>	<u>22,160,233</u>
<b>Total Assets</b>	<u>25,955,762</u>	<u>26,996,794</u>
<b>Liabilities</b>		
Total current liabilities	781,951	1,277,254
Total liabilities payable from restricted assets	583,981	578,875
Total long-term liabilities	<u>11,023,155</u>	<u>11,558,224</u>
<b>Total Liabilities</b>	<u>12,389,087</u>	<u>13,414,353</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	10,979,301	10,059,897
Restricted for equipment replacement	940,008	902,087
Restricted for debt retirement	195,663	188,169
Unrestricted	<u>1,451,703</u>	<u>2,432,288</u>
<b>Total Net Position</b>	<u>\$ 13,566,675</u>	<u>\$ 13,582,441</u>

The largest portion (81%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding.

Restricted net position (8%) represents resources that are subject to external restrictions on how they may be used.

The balance (11%) of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers and creditors.

**Monroe County Water District  
Summary of Net Position  
December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Total operating revenues	\$ 2,822,557	\$ 2,892,595
Total operating expenses	<u>3,281,375</u>	<u>2,936,260</u>
Operating Income	(458,818)	(43,665)
Total non-operating revenue (expenses)	<u>(77,791)</u>	<u>247,865</u>
Income before capital contributions	(536,609)	204,200
Capital contributions	<u>520,843</u>	<u>45,150</u>
Increase (decrease) in net position	(15,766)	249,350
Net position, beginning of year	<u>13,582,441</u>	<u>13,333,091</u>
Net position, end of year	<u>\$ 13,566,675</u>	<u>\$ 13,582,441</u>

Net position decreased by \$15,766 from the prior year.

Capital Asset Changes

The Monroe County Water District completed projects during 2025, including 5,000 feet of water line extensions. There were 61 new water connections set for service during the year 2025. April flooding resulted in exposed waterlines in the system that required emergency repairs. The utility has worked with FEMA to submit these individual repair locations.

Plans were made to host a celebration in April 2025 in honor of the utility's 50<sup>th</sup> anniversary recognizing customers, past and current employees. Construction for a 60 X 100 maintenance facility was initiated and successfully completed in 2025.

A transition in leadership occurred with the retirement of General Manager Jimmy Simmons. Greg Pruitt, previously Lead Treatment Operator, assumed the role of General Manager position. The Tank Rehabilitation project was started but remains ongoing. As part of this effort, new check valves and bypass valves were installed on both Flippin and Gamaliel storage tanks to support rehabilitation needs. Plans are in place to upgrade the County House storage tank in 2026.

The Lead Service Inventory requirements mandated by the EPA were completed and submitted on time in December 2025 with assistance with Kentucky Rural Water Association. Additionally, an upgrade to the 2013 Caterpillar Mini Excavator was completed in 2025 as well as purchased two 2021 Dodge trucks. The utility also entered leases for two new 2026 Chevrolet trucks.

The water industry continues to face ongoing challenges each year. To improve system resilience, a new emergency interconnection was installed between Monroe County Water District and Northwest Clay Utilities. In response to continued water loss issues, master (zone) meter was installed on Gamaliel Road, providing significant improvements in daily water loss monitoring and control.

Rising costs for materials, equipment and supplies along with increasing regulatory requirements continue to present challenges. Despite these obstacles, each department at MCWD remains committed to delivering reliable, high-quality service to every customer.

### **Budgetary Highlights**

The Monroe County Water District adopts an annual operating budget after careful considerations of prior year and anticipated current year operations. The operating budget includes proposed expenses and the means to finance them. The District's operating budget remains in effect the entire year and is not revised. A budgetary comparison and analysis is presented on page 19 of this report.

### **Debt Administration**

At December 31, 2025, the District had \$11,573,251 long term debt outstanding, a decrease of \$527,085 from the prior year. The District incurred \$152,869 in interest expense associated with long term debt.

### **Request for Information**

This financial report is designed to provide our customers and creditors with a general overview of Monroe County Water District's finances and to demonstrate Monroe County Water District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Monroe County Water District at 205 Capp Harlan Road, Tompkinsville, Kentucky 42167, or by phone (270) 487-8131.

**MONROE COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

<b>Assets</b>	<u>2025</u>	<u>2024</u>
<b>Current Assets</b>		
Cash	\$ 1,718,249	\$ 3,193,788
Accounts receivable	383,863	373,602
Inventory	<u>131,542</u>	<u>142,152</u>
Total Current Assets	<u>2,233,654</u>	<u>3,709,542</u>
<b>Non-current Assets</b>		
Restricted Assets		
Cash - Depreciation fund	940,008	902,087
Cash - Bond and interest redemption fund	<u>229,548</u>	<u>224,932</u>
Total Restricted Assets	<u>1,169,556</u>	<u>1,127,019</u>
Capital Assets		
Right of use asset net of amortization	47,696	43,441
Construction in progress	444,043	301,390
Land and land rights	316,545	249,842
Utility plant in service	32,123,147	31,193,720
Furniture and equipment	1,237,598	1,175,685
Accumulated depreciation and amortization	<u>(11,616,477)</u>	<u>(10,803,845)</u>
Net Capital Assets	<u>22,552,552</u>	<u>22,160,233</u>
Total Non-current Assets	<u>23,722,108</u>	<u>23,287,252</u>
 Total Assets	 <u>\$ 25,955,762</u>	 <u>\$ 26,996,794</u>

**MONROE COUNTY WATER DISTRICT**  
**Statements of Net Position, Concluded**  
**December 31, 2025 and 2024**

<b>Liabilities</b>	<u>2025</u>	<u>2024</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 113,513	\$ 144,957
Current portion of lease liability	20,355	18,363
Customer deposits	84,346	84,468
Accrued liabilities	117,780	139,466
Deferred grant revenue	445,957	890,000
Total Current Liabilities	781,951	1,277,254
<b>Liabilities Payable from Restricted Assets</b>		
Current maturities of long-term debt	550,096	542,112
Accrued interest	33,885	36,763
Total Liabilities Payable from Restricted Assets	583,981	578,875
<b>Long-term Liabilities</b>		
Right of use lease liability	27,690	15,590
Bonds, noncurrent portion, net of discount	1,153,115	1,300,152
KIA loan	9,842,350	10,242,482
Total Long-term Liabilities	11,023,155	11,558,224
Total Liabilities	12,389,087	13,414,353
<b>Net Position</b>		
<b>Net Position</b>		
Invested in capital assets, net of related debt	10,979,301	10,059,897
Restricted for equipment replacement	940,008	902,087
Restricted for debt retirement	195,663	188,169
Unrestricted	1,451,703	2,432,288
Total Net Position	\$ 13,566,675	\$ 13,582,441

The accompanying notes are an integral part of the financial statements.

**MONROE COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and Change in Net Position**  
**For the Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating revenues:</b>		
Residential water sales	\$ 2,470,611	\$ 2,475,275
Commerical water sales	277,346	321,229
Penalty collections	30,822	32,684
Miscellaneous	43,778	63,407
Total operating revenues	2,822,557	2,892,595
<b>Operating expenses:</b>		
Water purchases	4,722	-
Employees' salaries and wages	885,483	725,162
Employees' pensions and benefits	294,186	260,619
Utilities	230,294	234,837
Repairs and maintenance	267,716	148,816
Chemicals	253,322	220,076
Water analysis fees	14,622	16,271
Meter readers	65,978	60,926
Office expense	119,967	155,987
Transportation expenses	57,078	46,380
Insurance	93,110	86,607
Commissioners' fees	18,000	12,000
Payroll tax expense	70,813	56,963
Telephone	16,365	20,810
Depreciation	812,632	803,516
PSC tax assessment	4,614	4,326
Meter deposit interest expense	417	295
Bad debt expense	10,877	17,554
Professional fees	18,475	16,475
Miscellaneous	42,704	48,640
Total operating expenses	3,281,375	2,936,260
Operating income	(458,818)	(43,665)
<b>Non-operating revenue (expenses):</b>		
Rental income	-	337,759
Interest income	76,542	73,232
Amortization of bond discount	(1,464)	(1,464)
Interest expense on bonds	(152,869)	(161,662)
Total non-operating revenue (expenses)	(77,791)	247,865
Income/(loss) before capital contributions	(536,609)	204,200
<b>Capital contributions:</b>		
Grant proceeds	444,043	-
Tap fees	76,800	45,150
Total capital contributions	520,843	45,150
Change in net position	(15,766)	249,350
<b>Net position:</b>		
Beginning of year	13,582,441	13,333,091
End of year	\$ 13,566,675	\$ 13,582,441

The accompanying notes are an integral part of the financial statements.

**MONROE COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 2,801,297	\$ 2,855,127
Cash payments to suppliers for goods and services	(1,289,194)	(1,047,172)
Cash payments to employees for services	<u>(1,201,355)</u>	<u>(974,923)</u>
Net cash provided (used) by operating activities	<u>310,748</u>	<u>833,032</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on long-term debt	(540,649)	(531,686)
Interest paid on long-term debt	(155,747)	(164,376)
Additions to capital assets	(1,200,696)	(426,349)
Grant proceeds received	-	890,000
Capital contributions	<u>76,800</u>	<u>45,150</u>
Net cash provided (used) in financing activities	<u>(1,820,292)</u>	<u>(187,261)</u>
<b>Cash flows from investing activities:</b>		
Rental income	-	337,759
Interest income	<u>76,542</u>	<u>73,232</u>
Net cash provided by (used) in investing activities	<u>76,542</u>	<u>410,991</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,433,002)	1,056,762
Cash and cash equivalents, beginning of year	<u>4,320,807</u>	<u>3,264,045</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,887,805</u>	<u>\$ 4,320,807</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ (458,818)	\$ (43,665)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	812,632	803,516
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(10,261)	(21,732)
(Increase) decrease in inventory	10,610	4,619
(Increase) decrease in right of use asset	(4,255)	24,087
Increase (decrease) in accounts payable	(31,444)	71,894
Increase (decrease) in customer deposits	(122)	1,818
Increase (decrease) in right of use liability	14,092	(18,363)
Increase (decrease) in accrued liabilities	<u>(21,686)</u>	<u>10,858</u>
Net cash provided (used) by operating activities	<u>\$ 310,748</u>	<u>\$ 833,032</u>

The accompanying notes are an integral part of the financial statements.

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies**

Organization

The Monroe County Water District was organized in 1975 under KRS 74.010 to provide water service to the residents of Monroe County, Kentucky. The District's commissioners are appointed by the Monroe County Judge-Executive.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Monroe County, Kentucky.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2025 and 2024. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of additions to the utility plant and major replacements of retired units of property is capitalized. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ending December 31, 2025 and 2024 was \$812,632 and \$803,516, respectively.

The estimated useful lives of capital assets are as follows:

Transmission and Distribution	62.5 years
Distribution Reservoirs	45 years
Meter Installs and Services	40 years
Structures and Improvements	38 years
Pumping Equipment	20 years
Vehicles and Equipment	10 years

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

Operating Revenues and Expenses

Operating revenues consist of those revenues that result from the ongoing principal operations of the District. Operating expenses consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the years ending December 31, 2025 and 2024, the District had complied with this requirement.

Inventory

Inventory is valued at the lower of cost or net realizable value using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

Use of Estimates

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

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected in accrued liabilities.

Leases

GASB Statement No. 87 established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable.

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded**  
Depreciation Fund

The ordinances authorizing the various debt issues of the District require monthly transfers into a depreciation fund until the maximum requirement of \$709,520 is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2025 and 2024, the District had complied with this requirement.

**Note 2 – Cash and Investments**

The carrying amount of the District's cash deposits was \$2,887,805 and \$4,320,807 for the years ending December 31, 2025 and 2024, respectively and the bank balances were \$2,886,219 and \$4,323,131. The difference between book and bank balances primarily represents checks that have been issued but have not cleared the bank. All of the District's deposits were either insured by FDIC or by collateral pledged by the financial institution.

**Note 3 – Capital Assets**

Capital asset activity for the years ended December 31, 2025 and 2024, was as follows:

	Balance 01/01/25	Additions	Deletions	Balance 12/31/25
<i><u>Capital Assets not being depreciated</u></i>				
Construction in progress	\$ 301,390	\$ 493,068	\$ (350,415)	\$ 444,043
Land and Rights	249,842	66,703	-	316,545
Total Non-Depreciable Capital Assets	<u>551,232</u>	<u>559,771</u>	<u>(350,415)</u>	<u>760,588</u>
<i><u>Capital Assets being depreciated</u></i>				
Structures and Improvements	455,354	735,830	-	1,191,184
Pumping Equipment	572,311	-	-	572,311
Distribution Reservoirs	3,427,587	-	-	3,427,587
Transmission and Distribution Mains	13,059,029	115,104	-	13,174,133
Services	120,774	-	-	120,774
Meters and Installations	1,355,833	78,493	-	1,434,326
Other Plant	32,370	13,890	-	46,260
Furniture and Equipment	121,528	-	-	121,528
Transportation Equipment	124,318	48,023	-	172,341
Power Operated Equipment	362,245	-	-	362,245
Source of Supply-Structures	469,428	-	-	469,428
Source of Supply-Intakes	1,721,484	-	-	1,721,484
Pumping Plant-Structures	442,646	-	-	442,646
Pumping Plant-Equipment	2,722,948	-	-	2,722,948
Water Treatment Plant-Structures	2,730,981	-	-	2,730,981
Water Treatment Plant-Equipment	4,650,569	-	-	4,650,569
Total Depreciable Capital Assets	<u>32,369,405</u>	<u>991,340</u>	<u>-</u>	<u>33,360,745</u>
Less: Accumulated Depreciation and Amortization	<u>10,803,845</u>	<u>812,632</u>	<u>-</u>	<u>11,616,477</u>
Total Net Capital Assets	<u>\$ 22,116,792</u>			<u>\$ 22,504,856</u>

Construction in progress at December 31, 2025 consisted of the tank rehab project.

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 3 – Capital Assets, Concluded**

	Balance 01/01/24	Additions	Deletions	Balance 12/31/24
<i><u>Capital Assets not being depreciated</u></i>				
Construction in progress	\$ -	\$ 301,390	\$ -	\$ 301,390
Land and Rights	<u>249,842</u>	<u>-</u>	<u>-</u>	<u>249,842</u>
Total Non-Depreciable Capital Assets	<u>249,842</u>	<u>301,390</u>	<u>-</u>	<u>551,232</u>
<i><u>Capital Assets being depreciated</u></i>				
Structures and Improvements	455,354	-	-	455,354
Pumping Equipment	567,950	4,361	-	572,311
Distribution Reservoirs	3,427,587	-	-	3,427,587
Transmission and Distribution Mains	13,037,806	21,223	-	13,059,029
Services	120,774	-	-	120,774
Meters and Installations	1,294,621	66,322	(5,110)	1,355,833
Other Plant	32,370	-	-	32,370
Furniture and Equipment	121,528	-	-	121,528
Transportation Equipment	124,318	-	-	124,318
Power Operated Equipment	362,245	-	-	362,245
Source of Supply-Structures	469,428	-	-	469,428
Source of Supply-Intakes	1,721,484	-	-	1,721,484
Pumping Plant-Structures	442,646	-	-	442,646
Pumping Plant-Equipment	2,689,895	33,053	-	2,722,948
Water Treatment Plant-Structures	2,730,981	-	-	2,730,981
Water Treatment Plant-Equipment	<u>4,650,569</u>	<u>-</u>	<u>-</u>	<u>4,650,569</u>
Total Depreciable Capital Assets	<u>32,249,556</u>	<u>124,959</u>	<u>(5,110)</u>	<u>32,369,405</u>
Less: Accumulated Depreciation and Amortization	<u>10,005,439</u>	<u>803,516</u>	<u>(5,110)</u>	<u>10,803,845</u>
Total Net Capital Assets	<u>\$ 22,493,959</u>			<u>\$ 22,116,792</u>

**Note 4 – Long-Term Debt**

Long-term debt consists of the following at December 31, 2025 and 2024

Bonds payable:	<u>2025</u>	<u>2024</u>
Series 1999 Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$270,000; due in annual installments on January 1 ranging from \$2,500 to \$15,500 through January 2038; interest rate of 4.75% due semi-annually on January 1 and July 1.	\$ 151,500	\$ 160,000
Series 2017 Water Revenue Bonds issued through KACo in the amount of \$2,170,000; due in annual installments on January 1 ranging from \$130,000 to \$20,000 through January 2042; interest rate of 3.37% due semi-annually on January 1 and July 1.	<u>1,175,000</u>	<u>1,310,000</u>
Total bonds payable	<u>\$ 1,326,500</u>	<u>\$ 1,470,000</u>

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 4 – Long-Term Debt, Continued**

	<u>2025</u>	<u>2024</u>
Loan Payable, Kentucky Infrastructure Authority:		
<p>A loan in the amount of \$15,675,679 was approved for construction of the regional water treatment plant and system improvements. During construction, \$2,904,091 of the loan was forgiven. Principal payments ranging from \$190,207 to \$237,211 are due semi-annually through year 2049 along with interest of 1% due June 1 and December 1</p>		
	\$ 10,242,482	\$ 10,639,630
Total loans payable	<u>\$ 10,242,482</u>	<u>\$ 10,639,630</u>

Long-term debt activities for the years ended December 31, 2025 and 2024 are as follows:

	<u>Balance</u> <u>01/01/25</u>	<u>Additions</u>	<u>Debt Payments</u> <u>and Reductions</u>	<u>Balance</u> <u>12/31/25</u>	<u>Amount Due</u> <u>within One Year</u>
Bond Series 1999	\$ 160,000	\$ -	\$ (8,500)	\$ 151,500	\$ 8,500
Bond Series 2017	1,310,000	-	(135,000)	1,175,000	140,000
KIA Loan	10,639,630	-	(397,149)	10,242,481	400,132
	12,109,630	-	(540,649)	11,568,981	548,632
Bond discount	(24,884)	-	1,464	(23,420)	1,464
Debt, net of discount	<u>\$ 12,084,746</u>	<u>\$ -</u>	<u>\$ (539,185)</u>	<u>\$ 11,545,561</u>	<u>\$ 550,096</u>

	<u>Balance</u> <u>01/01/24</u>	<u>Additions</u>	<u>Debt Payments</u> <u>and Reductions</u>	<u>Balance</u> <u>12/31/24</u>	<u>Amount Due</u> <u>within One Year</u>
Bond Series 1999	\$ 167,500	\$ -	\$ (7,500)	\$ 160,000	\$ 8,500
Bond Series 2017	1,440,000	-	(130,000)	1,310,000	135,000
KIA Loan	11,033,816	-	(394,186)	10,639,630	397,148
	12,641,316	-	(531,686)	12,109,630	540,648
Bond discount	(26,348)	-	1,464	(24,884)	1,464
Debt, net of discount	<u>\$ 12,614,968</u>	<u>\$ -</u>	<u>\$ (530,222)</u>	<u>\$ 12,084,746</u>	<u>\$ 542,112</u>

Principal and interest maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 548,632	\$ 146,901	\$ 695,533
2027	552,139	137,928	690,067
2028	540,668	129,125	669,793
2029	549,220	120,454	669,674
2030	557,795	111,567	669,362
2031-2035	2,468,412	445,264	2,913,676
2036-2040	2,397,826	283,079	2,680,905
2041-2045	2,312,306	147,439	2,459,745
2046-2049	1,641,983	32,963	1,674,946
	<u>\$ 11,568,981</u>	<u>\$ 1,554,720</u>	<u>\$ 13,123,701</u>

**MONROE COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 4 – Long-Term Debt, Concluded**

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and at December 31, 2025 does not expect to incur a liability.

**Note 5 – Lease**

Monroe County Water District leases 1 Dodge Ram truck from Don Franklin Somerset Inc. under a 36 month operating lease for \$335 per month, expiring September 2026. The District also leases 2 Chevy Silverados from Don Franklin Glasgow Inc under a 36 month operating lease for \$1,445 per month, expiring September 2028. The District had a right of use asset with a balance of \$47,696 and \$43,441 net of amortization as of December 31, 2025 and 2024, respectively. The balance of the right of use lease liability was \$48,045 and \$33,953 as of December 31, 2025 and 2024, respectively. As this lease did not provide an implicit rate of interest, the District used its incremental borrowing rate of 4% based on information available at the adoption date in determining the present value of the lease payments.

The future maturities of the lease liability as of December 31, 2025 are as follows:

Year Ending December 31	
2026	\$ 20,355
2027	17,337
2028	<u>13,003</u>
Total lease payments	50,695
Less: interest	<u>(2,650)</u>
Present value of lease payments	<u>\$ 48,045</u>

**Note 6 – Deferred Revenue**

During 2024 the District received \$890,000 in American Rescue Plan Act (ARPA) grant funds from the Monroe County Fiscal Court to aid in the tank rehabilitation project. At December 31, 2025, the District had utilized grant funds of \$444,043, the project was not yet completed.

**Note 7 – Pension Plan**

The District provided a defined contribution plan, as of January 1, 2006, to its employees, who meet certain age and length of service requirements set forth by the Board of Commissioners. The plan is a deferred compensation plan as defined by the IRC 457(b). The District contributes 8% of covered payroll and each employee contributes a minimum of 4% of their wages. For the years ended December 31, 2025 and 2024, employer contributions were \$69,268 and \$54,619 respectively and employee contributions were \$35,275 and \$27,849, respectively. Covered payroll was approximately \$866,000 and \$683,000 for years 2025 and 2024, respectively.

**Note 8 – Subsequent Events**

Management has evaluated subsequent events through April 27, 2026, the date which the financial statements were available to be issued.

## **Supplemental Information**

**MONROE COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and Change in Net Position- Budget and Actual**  
**For the Year Ended December 31, 2025**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues:</b>			
Water sales	\$ 2,890,000	\$ 2,747,957	\$ (142,043)
Penalties and other	81,500	74,600	(6,900)
Total operating revenues	<u>2,971,500</u>	<u>2,822,557</u>	<u>(148,943)</u>
<b>Operating expenses:</b>			
Salaries and benefits	945,000	1,268,482	(323,482)
Materials	430,000	712,705	(282,705)
Contractual	86,000	65,978	20,022
Insurance	85,000	93,110	(8,110)
Utilities	256,000	230,294	25,706
Depreciation	799,000	812,632	(13,632)
Other	220,000	98,174	121,826
Total operating expenses	<u>2,821,000</u>	<u>3,281,375</u>	<u>(460,375)</u>
Operating income	<u>150,500</u>	<u>(458,818)</u>	<u>(609,318)</u>
<b>Non-operating revenue (expenses):</b>			
Interest income and other	60,000	76,542	16,542
Amortization of bond discount	(1,464)	(1,464)	-
Interest expense on bonds	(156,000)	(152,869)	3,131
Total non-operating revenue (expenses)	<u>(97,464)</u>	<u>(77,791)</u>	<u>19,673</u>
Income before capital contributions	<u>53,036</u>	<u>(536,609)</u>	<u>(589,645)</u>
<b>Capital contributions</b>			
Grant proceeds	-	444,043	444,043
Tap fees	45,000	76,800	31,800
Total capital contributions	<u>45,000</u>	<u>520,843</u>	<u>475,843</u>
Increase/(Decrease) in net position	<u>\$ 98,036</u>	<u>\$ (15,766)</u>	<u>\$ (113,802)</u>



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*

Monroe County Water District  
Tompkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of the Monroe County Water District, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Monroe County Water District's basic financial statements, and have issued our report thereon dated April 27, 2026.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or 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 Monroe County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky

April 27, 2026

