

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

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**PEAKS MILL WATER DISTRICT
INDEPENDENT AUDIT REPORT
December 31, 2025 and 2024**

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INDEPENDENT AUDITOR'S REPORT

Members of the Peaks Mill Water District Board
Frankfort, Kentucky 40601

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Peaks Mill 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 Peaks Mill Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Peaks Mill Water District, as of December 31, 2025 and 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Peaks Mill 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 Peaks Mill Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Peaks Mill 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 Peaks Mill Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2026, on our consideration of the Peaks Mill Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Peaks Mill Water District Board's internal control over financial reporting and compliance.

Rick R. Waddle, Jr., CPA

Frankfort, Kentucky
September 14, 2026

Management Discussion & Analysis

Peaks Mill Water District

Management's Discussion & Analysis

As financial management of the Peaks Mill Water District (the "District"), we offer readers of these financial statements this narrative and analysis of the financial activities of the District for calendar years ended December 31, 2025 and 2024. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Change in net position produced an increase in 2025 of \$67,649, compared to a 2024 increase in net position of \$67. The term "net position" refers to the difference between assets and liabilities. At the close of calendar year 2025, the District had a net position of \$3,228,346, compared to \$3,160,697 at the close of 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information concerning the District's budget to actual revenues and expenses.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statements of net position present information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in an increase in net position, which indicates an improved financial position.

The statement of revenues, expenses and changes in net position present information showing how the District's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes of the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual revenues and expenses.

Peaks Mill Water District
Management's Discussion & Analysis
(continued)

Financial Analysis

Net position may serve, over time, as a useful indicator of the District's financial position. In the case of the District's net position, assets exceeded liabilities by \$3,228,346 and \$3,160,697, at the close of fiscal years 2025, and 2024 respectively. This represents an increase of \$67,649 over the previous year.

The unrestricted net position for 2025 and 2024 was \$302,206, and \$289,084. The District's net position reflects its investment in capital assets (property, building and equipment). The District uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The following is a schedule of financial analysis of net position and changes in net position:

Peaks Mill Water District

Net Position

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current Assets	\$ 326,282	\$ 327,901
Non-Current Assets	402,552	268,359
Capital Assets	<u>3,125,581</u>	<u>3,220,549</u>
Total Assets	\$ <u>3,854,415</u>	\$ <u>3,816,809</u>
Total Liabilities	\$ <u>626,069</u>	\$ <u>656,112</u>
Net Position	\$ <u>3,228,346</u>	\$ <u>3,160,697</u>

Peaks Mill Water District

Changes in Net Position

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Revenues	\$ 1,153,960	\$ 1,058,848
Expenses	<u>1,086,311</u>	<u>1,058,781</u>
Changes in Net Position	67,649	67
Net Position Beginning of Year	<u>3,160,697</u>	<u>3,160,630</u>
Net Position, End of Year	\$ <u>3,228,346</u>	\$ <u>3,160,697</u>

Management's Discussion & Analysis (continued)

Cash Flows

Net cash provided by operating activities increased cash by \$209,629 for year end 2025, and decreased cash (\$53,901) for year end 2024. Net cash used in investing decreased cash by (\$15,506) for 2025 and decreased cash by (\$154,196) for 2024, and net cash used by capital and related financing activities decreased cash by (\$22,814) in 2025, and decreased cash by (\$75,132) in 2024, mainly due to payments on long-term debt and capital contributions.

Capital Assets

The District's investment in capital assets was \$3,125,581 in 2025, and \$3,220,549 in 2024, net of accumulated depreciation; and \$2,575,324 net of debt in 2025, and \$2,615,290 net of debt in 2024. Major capital assets include pumps, lines, meters and tanks.

Requests for Information

This financial information is designed to provide a general overview of the District's finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or request for additional financial information should be directed to Peaks Mill Water District, 7175 US 127 North, Frankfort, Kentucky 40601.

Financial Statements

Peaks Mill Water District
Comparative Statement of Net Position
December 31, 2025 and 2024

Assets	2025	2024
Current Assets		
Cash in Bank and on Hand	\$ 149,265	\$ 112,149
Investments at Cost	-	49,861
Accounts Receivable	91,448	103,168
Inventory	85,569	62,723
Total Current Assets	326,282	327,901
Non-Current Assets		
Restricted Assets - Cash	402,552	268,359
Property, Plant, & Equipment		
Property, Plant, & Equipment	7,276,142	7,204,827
Accumulated Depreciation	(4,150,561)	(3,984,278)
Total Property, Plant & Equipment	3,125,581	3,220,549
Total Non-Current Assets	3,528,133	3,488,908
Total Assets	\$ 3,854,415	\$ 3,816,809
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	\$ 64,024	\$ 47,649
Other Liabilities	11,788	3,204
Current Portion of Bonds Payable	101,475	77,202
Total Current Liabilities	177,287	128,055
Long Term Liabilities		
KIA Loan Payable	180,582	237,257
Bonds Payable	268,200	290,800
Total Long Term Liabilities	448,782	528,057
Total Liabilities	626,069	656,112
Net Position		
Investment in Capital Assets, Net of Related Debt	2,575,324	2,615,290
Restricted for Debt Retirement	220,359	119,716
Restricted for Construction	130,457	136,607
Unrestricted	302,206	289,084
Total Net Position	3,228,346	3,160,697
Total Liabilities and Net Position	\$ 3,854,415	\$ 3,816,809

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

Peaks Mill Water District
Comparative Statement of Revenues, Expenses, And
Changes In Net Position
For The Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Income		
Water Revenue	\$ 995,263	\$ 821,856
Miscellaneous Income	96,698	56,310
Total Operating Income	<u>1,091,961</u>	<u>878,166</u>
Operating Expenses		
Purchased Water	376,552	356,290
Purchased Power	19,580	15,872
Contractual Services	75,575	77,087
Advertising	81	1,245
Salaries	76,884	70,167
Payroll taxes	7,742	6,726
Postage	10,927	7,545
Maintenance	219,326	254,903
Office Supplies	4,637	2,784
Office Expenses	372	372
Insurance	16,507	14,395
Legal & Professional	45,186	6,649
Commissioner's Fees	13,825	15,322
Utilities & Telephone	2,103	4,535
Rent	14,400	14,400
Chemical & Lab Analysis	2,565	4,851
Miscellaneous	9,903	18,737
Bad Debt Expense	-	-
Depreciation	166,283	160,566
Total Operating Expenses	<u>1,062,448</u>	<u>1,032,446</u>
Operating Income	<u>29,513</u>	<u>(154,280)</u>
Net Operating Revenue (Expenses)		
Interest Revenue	5,948	4,936
Interest Expense	(23,863)	(26,335)
Total Non-Operating Revenue (Expenses)	<u>(17,915)</u>	<u>(21,399)</u>
Net Income Before Contributions & Government Grants	<u>11,598</u>	<u>(175,679)</u>
Government Grants	24,194	135,707
Contributions From Customers	<u>31,857</u>	<u>40,039</u>
Change In Net Position	67,649	67
Net Position - Beginning of Year	<u>3,160,697</u>	<u>3,160,630</u>
Net Position - End of Year	<u>\$ 3,228,346</u>	<u>\$ 3,160,697</u>

The accompanying notes are an integral part of these financial statements

Peaks Mill Water District
Comparative Statement of Cash Flows
For The Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 1,112,265	\$ 836,871
Cash Payments for Employee Services and Benefits	(98,456)	(92,220)
Cash Payments to Suppliers for Goods and Services	(804,180)	(798,552)
Net Cash Provided (Used) by Operating Activities	<u>209,629</u>	<u>(53,901)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions Received	31,857	40,039
Bond and Bond Interest Payments	(78,865)	(100,614)
Government Grants	24,194	135,707
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(22,814)</u>	<u>75,132</u>
Cash Flows From Investing Activities:		
Interest Income Received	5,950	4,938
Acquisition of Capital Assets	(71,316)	(192,642)
Cash Purchases of Investments	49,860	33,508
Net Cash Provided (Used) by Investing Activities	<u>(15,506)</u>	<u>(154,196)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	171,309	(132,965)
Cash and Cash Equivalents, Beginning of Year	380,508	513,473
Cash and Cash Equivalents, End of Year	<u>\$ 551,817</u>	<u>\$ 380,508</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities		
Operating Income (Loss)	\$ 29,513	\$ (154,196)
Adjustment to Reconcile Operating Income (Loss) to		
Net Cash Provided (Used) in Operating Activities:		
Depreciation	166,283	160,566
(Increase)/Decrease in Accounts Receivable	11,720	(42,509)
(Increase)/Decrease in Inventory	(22,846)	8,212
Increase/(Decrease) in Accounts Payable	16,375	(27,104)
Increase/(Decrease) in Accrued Liabilities	8,584	1,214
Net Cash Provided (Used) by Operating Activities	<u>\$ 209,629</u>	<u>\$ (53,901)</u>

Disclosure of Accounting Policy:

For purposes of cash flows, Peaks Mill Water District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

Note A - Summary of Significant Accounting Policies

The Peaks Mill Water District was organized in November, 1968 to provide water service to residents of Peaks Mill. It is a political subdivision of Franklin County, Kentucky and purchases water from the Frankfort Plant Board for resale to the residents. The District is subject to the regulatory authority of Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

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

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

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

Operating revenue and expenses consist of revenue and expenses directly related to providing water service to residents of Peaks Mill. Water revenues are reflected as earned when the customers are billed.

Non-operating revenue and expenses consist of interest revenue and interest expenses related to capital and related financing activities. Capital contributions consist of new water meters purchased during the year.

Accounts Receivable are stated net of Allowance for Uncollectible Accounts. The Allowance for Uncollectible Accounts were \$8,000 at December 31, 2025, and \$6,422 at December 31, 2024.

Net Accounts Receivable were \$91,448 at December 31, 2025, and \$103,168 at December 31, 2024.

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

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

The District capitalizes interest cost incurred during construction of fixed assets.

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

Note B - Cash and Investments

Statutory Requirements

Kentucky Revised Statute 66.480 authorizes the District to invest in obligations of the U.S. treasury, in bonds or certificates of indebtedness of this state and of its agencies, savings and loan associations insured by an agency of the government of the United States up to the amount so insured, interest-bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank pledges as security obligations equal to uninsured amounts. Statutes require that financial institutions pledge approved securities to secure those funds on deposit in an amount equal to the amount of those funds. At the end of the calendar year, the carrying amount of the District's deposits and investments were \$551,817 for 2025 and \$380,508 for 2024.

Statement of Cash Flows

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

	2025	2024
Operations & Maintenance Fund	\$ 19,837	\$ 13,718
Revenue Fund	129,028	98,031
Total Cash in Bank	148,865	111,749
Cash on Hand	400	400
Debt Service Reserve	220,359	119,716
Reserve Account	107,243	100,232
Water Loss Surcharge	51,736	36,375
Construction Account	23,214	12,036
Total Restricted Cash	402,552	268,359
Total Cash & Cash Equivalents	\$ 551,817	\$ 380,508

The following is a chart summarizing investments held in federally insured financial institutions:

Certificate of Deposit	\$ -
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Note C - Accounts Payable

Accounts payable at December 31, 2025 consists of the following:

	December 31, 2025	December 31, 2024
Water Purchases	\$22,177	\$26,761
Electric	1,740	-
Sulfur Lick Pump Station	13,502	-
Computer System Support	190	200
Billing Cards	2,270	-
Postage	-	336
Legal & Professional	1,194	105
Chemicals & Supplies	490	-
Professional Svcs O&M Jeff Lee	6,500	6,628
Water Loss Surcharge Expense	1,575	-
Repairs & Maintenance	87	6,636
Office Supplies	34	35
Membership Dues	1,380	1,380
Auto & Truck Expense	-	15
Professional Services: Engineering	5,896	-
Professional Services: Maint	-	2,174
Supplies	6,883	-
Lead & Copper Expense	-	2,000
Utilities & Telephone	106	1,379
TOTAL	\$64,024	\$47,649

Most Accounts were paid in January or February, 2026 & 2025, and all checks cleared the bank.

Note D- Insurance and Related Activities

The District is exposed to loss of assets associated with risks of fire, personal liability, theft, vehicle accidents, errors and omissions, fiduciary responsibility, etc. The District is also subject to risks associated with employee injury. Each of these risks are covered through premiums paid to the various insurance companies.

Note E - Purchased Water Contracts

Peaks Mill Water District purchases treated water from the Frankfort Plant Board and Kentucky American Water Company as the District does not produce it's own water.

Note F - Bonds and KIA Notes Payable

In September 1997 the District issued and sold \$627,000 of Waterworks Revenue Bonds for the purpose of extending water service to other customers. The bonds pay interest at 5% and mature ratably through the year 2035. The District's annual principal payments are due January 1st of each year.

The outstanding amount of the bonds were \$313,000 at December 31, 2025 and \$313,000 at December 31, 2024.

The annual debt service requirements to retire the bonds and KIA notes outstanding at December 31, 2025 for each of the next five years and in remaining five year increments are as follows:

Year Ending	Bond/Note Principle	Bond/Note Interest
2026	101,475	20,883
2027	83,399	18,029
2028	85,575	15,003
2029	88,907	15,003
Thereafter	190,900	35,759
Total	<u>\$ 550,256</u>	<u>\$ 104,677</u>

Changes in Long-Term Debt:

December 31, 2025

Description	31-Dec-24	Additions	Repayments	31-Dec-25
1997 Issue (91-03)	\$ 207,800	-	\$ -	\$ 207,800
1997 Issue (91-05)	105,500	-	-	\$ 105,500
KIA Loan # C05-01	289,019	-	(55,002)	\$ 234,017
Total	<u>\$ 602,319</u>	<u>\$ -</u>	<u>\$ (55,002)</u>	<u>\$ 547,317</u>

December 31, 2024

Description	31-Dec-23	Additions	Repayments	31-Dec-24
1997 Issue (91-03)	\$ 222,000	-	\$ (14,200)	\$ 207,800
1997 Issue (91-05)	112,200	-	(6,700)	\$ 105,500
KIA Loan # C05-01	342,398	-	(53,379)	\$ 289,019
Total	<u>\$ 676,598</u>	<u>\$ -</u>	<u>\$ (74,279)</u>	<u>\$ 602,319</u>

The information in **Note N** provides a breakdown for bond and long-term debt payments. The Fund C Loan from the Kentucky Infrastructure Authority was completely drawn, and repayment had began in 2009. The interest rate on Bonds Payable is variable according to the debt terms, while the KIA loan is fixed at 3%. The District maintains a Debt Service Reserve which consists of restricted cash assets to be used for the purpose of servicing the bond and long-term debt payments.

Note G - Reserves

Debt Service Reserve - There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the remaining outstanding bonds. The Debt Service Reserve had a balance of \$220,359 at December 31, 2025, and a balance of \$119,716 at December 31, 2024.

Depreciation Reserve - This fund may be used to purchase new or replacement equipment and emergency repairs to the water line system. The Depreciation Reserve had a balance of \$130,457 at December 31, 2025, and a balance of \$136,607 at December 31, 2024.

These Reserves are included in the Restrictions of Net Assets for December 31, 2025, and December 31, 2024.

Note H - Concentrations of Credit Risk

The District had cash, and cash equivalents in excess of FDIC insurance at WesBanco as of December 31, 2025. The Institution possessed securities which were pledged against this excess.

The amount under category 1 of credit risk was \$250,000 with \$498,007 collateral pledged under Category 2 (not insured but pledged by the financial institution's trust department). All deposits were insured by the FDIC or covered by bank pledged collateral.

Note I - Related Party Transactions

The District utilized the services of C & L Consultants, and Bluewater Kentucky LLC as independent contractors in 2025, and 2024. Both independent contractors advised the Board of Directors in 2025, and 2024.

Note J - Subsequent Events

Management did not indicate financially impacting information regarding subsequent events. An evaluation of subsequent events through September 14, 2026, found no events that appeared to have a material effect regarding the accompanying financial statements of Peaks Mill Water District as of and for the year ended December 31, 2025.

Note K - Property, Plant, & Equipment

The following represents a summary of property, plant, and equipment as of December 31, 2025, and 2024:

<u>Description</u>	Property, Plant, & Equipment			
	<u>December 31, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2025</u>
Land	\$ 8,096			8,096
Pumps, Lines, & Meters	6,166,795	71,315		6,238,110
Tanks	621,165	-		621,165
Office Equipment	34,764			34,764
Vehicle	24,024	-		24,024
Meter Testing Equipment	349,983	-		349,983
Total	\$ 7,204,827	\$ 71,315	\$ -	\$ 7,276,142

Note L - Property, Plant, & Equipment (continued)

<u>Description</u>	<u>Accumulated Depreciation</u>			
	<u>December 31, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2025</u>
Pumps, Lines, & Meters	3,258,547	138,386		3,396,933
Tanks	350,707	18,823		369,530
Office Equipment	33,577	606		34,183
Vehicles	12,557	4,805		17,362
Meter Testing Equipment	328,890	3,663		332,553
Total	\$ 3,984,278	\$ 166,283	\$ -	\$ 4,150,561

<u>Description</u>	<u>Property, Plant, & Equipment</u>			
	<u>December 31, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2024</u>
Land	\$ 8,096			8,096
Pumps, Lines, & Meters	5,974,153	192,642		6,166,795
Tanks	589,475	31,690		621,165
Office Equipment	34,764			34,764
Vehicles	24,024			24,024
Meter Testing Equipment	349,983			349,983
Total	\$ 6,980,495	\$ 224,332	\$ -	\$ 7,204,827

<u>Description</u>	<u>Accumulated Depreciation</u>			
	<u>December 31, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2024</u>
Pumps, Lines, & Meters	3,125,879	132,668		3,258,547
Tanks	331,884	18,823		350,707
Office Equipment	32,971	606		33,577
Vehicles	7,752	4,805		12,557
Meter Testing Equipment	325,226	3,664		328,890
Total	\$ 3,823,712	\$ 160,566	\$ -	\$ 3,984,278

Depreciation for the years ended December 31, 2025 and 2024 was \$166,283 and \$160,566.

Note M-Interest Expense

Interest expense incurred and charged to expense for the years ended December 31, 2025 and 2024 was \$23,863 and \$26,335 . No interest was capitalized in 2025 and 2024.

Note N-Schedule of Annual Debt Requirements

<u>Year Ending</u>	<u>KIA Fund C Loan</u>				<u>Total Requirements</u>
	<u>Note Principal</u>	<u>Note Interest</u>	<u>Fees</u>		
2026	56,675	6,342	422		63,439
2027	58,399	4,618	307		63,324
2028	60,175	2,842	189		63,206
2029	62,007	1,012	67		63,086
	\$ 237,256	\$ 14,814	\$ 985	\$	\$ 253,055

Note N-Schedule of Annual Debt Requirements (Continued)

Issue: 1997 Issue (91-03)					
Year End	Bond	Interest		Total	Total
	Prin. Due January 1, 2026	January 1, 2026	July 1, 2026	Interest	Requirements
2026	30,000	4,825	4,825	9,650	39,650
2027	17,000	4,450	4,450	8,900	25,900
2028	17,000	4,025	4,025	8,050	25,050
2029	18,000	3,600	3,600	7,200	25,200
2030	19,000	3,150	3,150	6,300	25,300
2031	20,000	2,675	2,675	5,350	25,350
2032	20,000	2,175	2,175	4,350	24,350
2033	21,000	1,675	1,675	3,350	24,350
2034	22,000	1,150	1,150	2,300	24,300
2035	24,000	600	600	1,200	25,200
	<u>\$ 208,000</u>	<u>\$ 28,325</u>	<u>\$ 28,325</u>	<u>\$ 56,650</u>	<u>\$ 264,650</u>

Note N-Schedule of Annual Debt Requirements (Continued)

<u>Year End</u>	Principle Due January 1, 2026	Issue: 1997 Issue (91-05)		Total Interest	Total Requirements
		Interest January 1, 2026	July 1, 2026		
2026	14,800	2,445	2,445	4,890	19,690
2027	8,000	2,255	2,255	4,510	12,510
2028	8,400	2,055	2,055	4,110	12,510
2029	8,900	1,845	1,845	3,690	12,590
2030	9,500	1,663	1,663	3,325	12,825
2031	10,000	1,385	1,385	2,770	12,770
2032	10,600	1,135	1,135	2,270	12,870
2033	11,100	870	870	1,740	12,840
2034	11,600	593	593	1,186	12,786
2035	12,100	303	303	606	12,706
	<u>105,000</u>	<u>14,549</u>	<u>14,549</u>	<u>29,097</u>	<u>134,097</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

Peaks Mill Water District
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund, of the Peaks Mill 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 Peaks Mill Water District's basic financial statements, and have issued our report thereon dated September 14, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Rick R. Waddle Jr., CPA

Frankfort, Kentucky
September 14, 2026

Supplementary Information

Peaks Mill Water District
Statement of Revenues, Expenses & Changes in Net Position
Budget v Actual
For The Year Ended December 31, 2025

	Budget 2025	Actual 2025	Variance
Operating Income			
Water Revenue	\$ 1,025,000	\$ 995,263	\$ (29,737)
Miscellaneous Income	88,000	96,698	8,698
Total Operating Income	<u>1,113,000</u>	<u>1,091,961</u>	<u>(21,039)</u>
Operating Expenses			
Purchased Water & Power	321,000	396,132	(75,132)
Contractual Services	112,000	75,575	36,425
Advertising	100	81	19
Salaries	100,802	76,884	23,918
Payroll taxes	3,698	7,742	(4,044)
Postage	13,000	10,927	2,073
Maintenance	249,500	219,326	30,174
Office Supplies	3,200	4,637	(1,437)
Office Expenses	400	372	28
Insurance	18,500	16,507	1,993
Legal & Professional	16,000	45,186	(29,186)
Commissioner's Fees	12,000	13,825	(1,825)
Utilities & Telephone	22,300	2,103	20,197
Rent	15,000	14,400	600
Administrative Fee (KIA)	-	-	-
Chemical & Lab Analysis	2,500	2,565	(65)
Miscellaneous	29,400	9,903	19,497
Bad Debt Expense	-	-	-
Depreciation	<u>160,000</u>	<u>166,283</u>	<u>(6,283)</u>
Total Operating Expenses	<u>1,079,400</u>	<u>1,062,448</u>	<u>16,952</u>
Operating Income	<u>33,600</u>	<u>29,513</u>	<u>(4,087)</u>
Non-Operating Revenue (Expenses)			
Interest Revenue	6,000	5,948	(52)
Interest Expense	<u>(20,883)</u>	<u>(23,863)</u>	<u>(2,980)</u>
Total Non-Operating Revenue (Expenses)	<u>(14,883)</u>	<u>(17,915)</u>	<u>(3,032)</u>
Net Income Before Contributions	<u>18,717</u>	<u>11,598</u>	<u>(7,119)</u>
Government Grants	50,000	24,194	(25,806)
Contributions From Customers	<u>5,000</u>	<u>31,857</u>	<u>26,857</u>
Change In Net Assets	<u>73,717</u>	<u>67,649</u>	<u>(6,068)</u>

Note 1 – Budgeting and Budgetary Control

Kentucky Revised Statutes (K.R.S.) requires the Board to prepare and adopt a balanced budget annually. The Board must approve such operating budgets to allow sufficient time for the legal announcements and hearings required for the adoption. K.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Note 2 – Budgetary Basis of Accounting

The Board's budget is prepared on a basis consistent with generally accepted accounting principles.