

Simpson County Water District
Audited Financial Statements and
Supplementary Information
December 31, 2025 and 2024

Jones & Associates CPAs, PSC
Certified Public Accountants



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To the Board of Commissioners of
Simpson County Water District
Franklin, Kentucky

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Simpson County Water District, a component unit of Simpson County Fiscal Court, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Simpson 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 financial position of the business-type activities of Simpson 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 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 Simpson 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 opinion.

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 Simpson 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.

**To the Board of Commissioners of
Simpson County Water District
Independent Auditor's Report**
(Continued)

Report on the Audit of the Financial Statements *(Continued)*

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 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 Simpson 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 Simpson 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 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

**To the Board of Commissioners of
Simpson County Water District
Independent Auditor's Report
(Continued)**

Report on the Audit of the Financial Statements (Continued)

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 Simpson County Water District's basic financial statements. The accompanying Schedule of Budgetary Comparison is presented for purposes of additional analysis and is not a required part of the 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. We do not express an opinion or provide any assurance on the Schedule of Budgetary Comparison 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 April 9, 2026, on our consideration of Simpson 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 Simpson 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 Simpson County Water District's internal control over financial reporting and compliance.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

April 9, 2026

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of Simpson 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 Simpson County Water District for the year ending December 31, 2025:

- Total Net Position increased by \$931,925 or 4.8% to \$20,284,318 from \$19,352,393 in 2024 reflecting increases in cash and cash equivalents and capital assets.
- Total Operating Revenue increased by \$500,579 totaling \$3,258,678 compared to \$2,758,099 in 2024, reflecting increases in metered water revenue from a retail rate increase of 3.35% and a wholesale rate pass-through of 11.84% from the District's water supplier.
- Total Operating Expenses increased by \$310,255 to \$3,118,549 compared to \$2,808,294 in 2024 consisting of increases in purchased water and material and supplies. Purchased water costs increased due to a wholesale rate increase of 24.9% from the District's water provider.
- Income Before Capital Contributions totaled \$216,952, an increase of \$202,254 compared to the prior year's Income Before Capital Contributions of \$14,698.
- Net Utility Plant increased by \$803,382 net of depreciation, to \$20,174,844 from \$19,371,462 in 2024 reflecting the SCADA RTU upgrade project and major improvements to storage tanks.
- Total water sold to customers during the year amounted to 368.5 million gallons compared to 363.3 million gallons in 2024, an increase of 5.2 million gallons. The peak demand day was August 31st with 2,120,640 gallons pumped.
- The number of customers at the end of the year totaled 3,777, consisting of 3,336 residential customers and 441 commercial/industrial customers.
- The District's water system includes 407 miles of distribution line, serving an average of 9.3 customers per mile.
- The average monthly revenue from a residential and commercial customer was \$40.97 and \$298.37, respectively. The average monthly usage by a residential and commercial customer was 4,617 gallons and 35,788 gallons, respectively.

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 Simpson 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 Revenue was higher than budgeted revenue by \$77,678 reflecting higher than budgeted metered water revenue from commercial customers. *Total Operating Expenses* related to providing water service and maintaining the District's water distribution system were under budget by \$139,451 consisting of the following lower than anticipated expenses: purchased water from the District's provider, White House Utility District (WHUD), salaries & wages, and contractual services. *Non-Operating Revenues (Expenses)* were under budget by \$56,723 reflecting a decrease in interest expense due to the delayed start and financing of the East Side Transmission project, now starting in 2026, that was included in the 2025 budget. *Net Income* totaled \$216,952 for the year, which exceeded budgeted net income by \$273,852 and *Capital Contributions* totaled \$714,973 which exceeded budgeted contributions by \$55,578.

Table 1
TABLE OF BUDGETARY COMPARISON

	Budget Year 2025	Actual Year 2025	Variance Favorable \\ (Unfavorable)
Revenues			
Metered Water Revenue	\$3,122,300	\$3,211,489	\$89,189
Forfeited Discounts	36,200	36,403	203
Miscellaneous Service Revenue	22,500	10,786	(11,714)
Total Revenues	3,181,000	3,258,678	77,678
Operating Expenses			
Operating Expenses	2,588,500	2,470,357	118,143
Depreciation	665,400	648,192	17,208
Amortization	4,100	-	4,100
Total Operating Expenses	3,258,000	3,118,549	139,451
Non-Operating Revenues (Expenses)			
Interest Income	87,400	104,069	16,669
Lease Income	37,200	41,214	4,014
Regulatory Commission Tax	(5,400)	(4,447)	953
Interest Expense	(99,100)	(55,696)	43,404
Amortization on Leases	0	(8,317)	(8,317)
Gain (Loss) on Disposal of Assets	0	0	0
Total Non-Operating Revenues (Expenses)	20,100	76,823	56,723
Total Net Expenses	3,237,900	3,041,726	196,174
Net Income	(56,900)	216,952	273,852
Contribution in Aid of Construction	659,395	714,973	55,578
Net Change in Net Position	\$602,495	\$931,925	\$329,430

Budgetary Analysis for the Year Ended December 31, 2024

Total Revenue was lower than budgeted revenue by \$20,001 reflecting lower than expected metered water revenue, forfeited discounts, and miscellaneous service revenue. *Total Operating Expenses* related to providing water service and maintaining the District's water distribution system were under budget by \$19,506 consisting of salaries & wages and contractual services – other that were lower than anticipated. *Non-Operating Revenues (Expenses)* were over budget amount by \$5,193 reflecting an increase in interest income due to higher than budgeted rates of return on the District's funds. *Net Income* totaled \$14,698 for the year, which exceeded budgeted net income by \$4,698 and *Capital Contributions* totaled \$2,046,981 which exceeded budgeted contributions by \$1,126,981. During the year, the District received contributions for water line extensions from developers totaling \$1,335,412 that were not budgeted.

Table 2
TABLE OF BUDGETARY COMPARISON

	Budget Year 2024	Actual Year 2024	Variance Favorable \ (Unfavorable)
Revenues			
Metered Water Revenue	\$2,703,100	\$2,698,298	(\$4,802)
Forfeited Discounts	42,000	38,404	(3,596)
Miscellaneous Service Revenue	33,000	21,397	(11,603)
Total Revenues	2,778,100	2,758,099	(20,001)
Operating Expenses			
Operating Expenses	2,215,200	2,197,250	17,950
Depreciation	627,500	625,940	1,560
Amortization	(14,900)	(14,896)	(4)
Total Operating Expenses	2,827,800	2,808,294	19,506
Non-Operating Revenues (Expenses)			
Interest Income	106,200	120,638	14,438
Lease Income	34,400	29,679	(4,721)
Regulatory Commission Tax	(4,700)	(4,340)	360
Interest Expense	(76,200)	(72,767)	3,433
Amortization on Leases	0	(8,317)	(8,317)
Gain (Loss) on Disposal of Assets	0	0	0
Total Non-Operating Revenues (Expenses)	59,700	64,893	5,193
Total Net Expenses	2,768,100	2,743,401	24,699
Net Income	10,000	14,698	4,698
Contribution in Aid of Construction	920,000	2,046,981	1,126,981
Net Change in Net Position	\$930,000	\$2,061,679	\$1,131,679

Financial Analysis (Continued)

Statement of Net Position

A summary of the District's Statement of Net Position is presented in Table 3. The District's assets exceeded liabilities by \$20,284,318 for the year ending December 31, 2025.

Table 3
CONDENSED STATEMENT OF NET POSITION
December 31, 2025

Assets	Year 2025	Year 2024	Variance	
Current & Non-Current Assets	\$3,777,829	\$3,536,857	\$240,972	6.8%
Net Capital Assets & CIP	20,174,844	19,371,462	803,382	4.1%
Total Assets	23,952,673	22,908,319	1,044,354	4.6%
Liabilities & Deferred Inflows				
Current & Non-Current Liabilities	1,224,493	922,494	301,999	32.7%
Net Bonds & Notes Payable	2,408,229	2,565,276	(157,047)	-6.1%
Deferred Inflows of Resources	35,633	68,156	(32,523)	-47.7%
Total Liabilities & Deferred Inflows	3,668,355	3,555,926	112,429	3.2%
Net Position				
Net Investment in Capital Assets	17,623,115	16,668,186	954,929	5.7%
Restricted for Debt Service	479,133	435,749	43,384	10.0%
Unrestricted	2,182,070	2,248,458	(66,388)	-3.0%
Total Net Position	20,284,318	19,352,393	931,925	4.8%
Total Liabilities & Net Position	23,952,673	22,908,319	1,044,354	4.6%

Total Assets amounted to \$23,952,673 and increased by \$1,044,354 or 4.6% from last year. *Current & Non-Current Assets*, which include funds for general operations, funds for capital improvements, funds for debt service, accounts receivable, interest receivable, and prepaid assets increased by \$240,972 due to an accumulation of cash. *Net Capital Assets & Construction in Progress (CIP)* includes the District's investment in land, distribution mains, pump stations, service lines, and storage tanks. Capital assets totaled \$20,174,844 and increased by \$803,382 reflecting increases in large meter installations, water line extensions, and water line replacement projects.

Total Liabilities & Deferred Inflows amounted to \$3,668,355 and increased by \$112,429 from last year. *Current & Non-Current Liabilities* which include accounts payable, customer deposits, interest payable, long-term debt due within one year, developer rebates, lease payable, and other post-employment benefits increased by \$301,999 due to a larger balance of accounts payable recorded at the end of the year. *Net Bonds & Notes Payable*, which include debt obligations beyond a year, unamortized premiums, and bond discounts totaling \$2,408,229 decreased by \$157,047 reflecting principal payments made throughout the year. *Deferred Inflows – Leases* represents deferred future revenue from cell and internet providers totaling \$35,633 for use of the District's storage tanks to mount their equipment decreased by \$32,523 due to a lease that was terminated by the District mid-year.

Total Net Position amounted to \$20,284,318, an increase of \$931,925 or 4.8% from last year. *Net Position Invested in Capital Assets*, which includes the District's transmission & distribution facilities net of related debt, increased by \$954,929. *Restricted For Debt Service* are funds set aside for principal and interest payments increased by \$43,384 and *Unrestricted* funds that do not have a specific use decreased slightly by \$66,388.

Financial Analysis (Continued)

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.

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	3,211,489	\$2,698,298	\$513,191	19.0%
Forfeited Discounts	36,403	38,404	(2,001)	-5.2%
Miscellaneous Service Revenue	10,786	21,397	(10,611)	-49.6%
Total Operating Revenues	3,258,678	2,758,099	500,579	18.1%
Operating Expenses				
Wages & Benefits	479,198	474,175	5,023	1.1%
Commissioner Fees	10,800	10,800	-	0.0%
Purchased Water	1,569,806	1,295,381	274,425	21.2%
Purchased Power	32,560	32,154	406	1.3%
Materials & Chemicals	99,670	78,393	21,277	27.1%
Contractual Services	186,356	223,675	(37,319)	-16.7%
Rental of Building	3,192	3,192	-	0.0%
Equipment	46,763	49,923	(3,160)	-6.3%
Depreciation	648,192	625,940	22,252	3.6%
Amortization		(14,896)	14,896	-100.0%
Other Operating Expenses	42,012	29,557	12,455	42.1%
Total Operating Expenses	3,118,549	2,808,294	310,255	11.0%
Non-Operating Revenues (Expenses)				
Interest Income	104,069	120,638	(16,569)	-13.7%
Lease Income	41,214	29,679	11,535	38.9%
Public Service Commission Tax	(4,447)	(4,340)	(107)	2.5%
Interest Expense	(55,696)	(72,767)	17,071	-23.5%
Amortization on Leases	(8,317)	(8,317)	-	0.0%
Gain (Loss) on Disposal of Assets		-	-	-100.0%
Total Non-Oper Revenues (Expenses)	76,823	64,893	11,930	18.4%
Income Before Capital Contributions	216,952	14,698	202,254	1376.1%
Capital Contributions	714,973	2,046,981	(1,332,008)	-65.1%
Change in Net Position	931,925	2,061,679	(1,129,754)	-54.8%
Net Position, Beginning of Year	19,352,393	17,290,714	2,061,679	11.9%
Net Position, End of Year	20,284,318	19,352,393	\$931,925	4.8%

Total Operating Revenues increased by \$500,579 from last year, reflecting increased metered water revenue due to a retail rate increase of 3.35% approved by the Public Service Commission (PSC) in October 2024 and a wholesale rate pass-through of 11.84% from the District's water supplier, White House Utility District (WHUD). *Metered Water Revenue* increased by \$513,191 including residential revenue which increased by \$213,901 and commercial, industrial, and agricultural revenue which increased by \$299,290. The volume of water sold this year was 368.5 million gallons compared to 363.3 million gallons last year, an increase of 5.2 million gallons. *Forfeited Discounts*, which are late penalties decreased by \$2,001 and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees decreased by \$10,611 due to the PSC ordering the district to significantly decrease service fees paid by customers.

Financial Analysis (Continued)

Total Operating Expenses increased by \$310,255 and consists of the following: (1) wages and benefits increased slightly by \$5,023; (2) purchased water increased by \$274,425 due to the 24.9% wholesale rate increase from the District's water provider, WHUD, effective January 1st 2025; (3) contractual services decreased by \$37,319 due to the completion of lead and copper testing that began in year 2024; (4) materials increased by \$21,277 reflecting leak repairs and other system maintenance; and (5) all other expenses which increased by a net amount of \$46,849. *Non-Operating Revenues* increased to \$76,823 compared to \$64,893 in 2024.

Capital Contributions totaled \$714,973 and decreased by \$1,332,008 compared to last year. During the year, contributions were received for the following: new meter installations, \$336,185; ARPA line replacement, \$234,506; line extensions, \$144,282. *Net Position* at the end of the year totaled \$20,284,318, an increase of \$931,925.

Changes in Utility Plant

The largest portion of the district's assets are invested in utility plant totaling \$20,174,844 on December 31, 2025. Changes by asset category are listed below in Table 5.

Table 5
CHANGES IN NET UTILITY PLANT
(Net of Depreciation)

Capital Investment	Year 2025	Year 2024	Increase (Decrease)	
Land	\$ 25,549	\$ 25,549	\$ -	0.0%
Structures	-	21	(21)	-100.0%
Pumping Equipment	1,114,656	1,162,049	(47,393)	-4.1%
Storage Tanks	1,349,941	1,186,825	163,116	13.7%
Distribution Mains	12,927,168	12,979,432	(52,264)	-0.4%
SCADA Communications	563,541	13,279	550,262	4143.9%
Meters	2,607,453	2,578,775	28,678	1.1%
Hydrants	705,472	689,692	15,780	2.3%
Computer Hardware & Software	53,580	52,616	964	1.8%
Furniture & Fixtures	3,698	3,876	(178)	-4.6%
Other	36,406	44,075	(7,669)	-17.4%
TOTAL Capital Investment	\$ 19,387,464	\$ 18,736,189	\$ 651,275	3.5%
Construction in Progress	787,380	635,273	152,107	23.9%
NET Utility Plant	\$ 20,174,844	\$ 19,371,462	\$ 803,382	4.1%

The District's utility plant includes the following: (1) 407 miles of distribution main, (2) 26 miles of service line, (3) 292 fire hydrants, (4) 7 storage tanks with storage capacity from 150,000 gallons to 500,000 gallons and total system storage capacity of 2.2 million gallons, and (5) 8 pumping stations. The following was recorded to utility plant during the year: (1) SCADA RTU Upgrade Project, \$566,438; (2) major storage tanks maintenance & upgrades, \$264,410; (3) residential and industrial meter installations, \$211,437; (4) line extensions from developers, \$158,282; (5) hydrant installations, \$33,623; (6) hardware & software additions, \$18,424; (7) other assets, \$198,968 and (8) reduction of \$648,200 for accumulated depreciation.

Financial Analysis (Continued)

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds and Rural Water Finance Agency (RWFA) loans. As of December 31, 2025, the District had \$2,499,500 in outstanding principal compared to \$2,637,500 in the previous year, a decrease of \$138,000 in debt obligations.

Factors Affecting Next Year's Budget

- Operating costs such as wages, employee benefits, hardware & software costs, and office rent are budgeted to increase.
- The East Side Pump Station & Transmission Project did not begin construction last year and is budgeted to begin in 2026. The project will provide connection and transmission from an alternate water supplier and will be funded through Rural Water Financing Agency (RWFA) for a budgeted cost of \$4.4M.
- The District budgeted a line replacement project totaling \$628,000 funded with internal funds and proceeds from the American Rescue Plan Act (ARPA). The project is budgeted to be placed into service in May 2026.
- The District will begin two relocation projects on Highway 100 beginning in the fourth quarter with budgeted costs of \$2,350,000.

The District's board of commissioners adopted the budget for 2026 at its meeting held in October 2025. Metered water sales are budgeted to increase by 2.5%. Total revenue is budgeted to increase by 1.6% from year 2025, and total expenses are budgeted to increase by 17.4%. Debt service payments are expected to total \$368,400 with a reduction in outstanding debt of \$143,500. A net loss of \$354,400 is budgeted for year. Capital expenditures for the year are budgeted to total \$7,960,600 using internal funds of \$741,000, proceeds from financing of \$4,400,000, and contributions from customers & governmental agencies totaling \$2,819,600.

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, Simpson 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.simpsonwater.com.

Financial Statements –
Proprietary Fund

Simpson County Water District
Statement of Net Position - Proprietary Fund
December 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 2,663,352	\$ 2,491,452
Restricted cash and cash equivalents	647,962	596,942
Customer accounts receivable, net	67,313	49,957
Accounts receivable - Other	33,985	28,947
Unbilled receivables	277,348	236,180
Prepaid assets	16,544	14,977
Lease receivable	29,019	33,148
Other current assets	21,466	27,077
Total current assets	\$ 3,756,989	\$ 3,478,680
Noncurrent assets		
Capital assets, net	\$ 19,387,464	\$ 18,736,190
Construction in progress	787,380	635,272
Lease receivable	9,057	38,076
Right-of-use asset, net	11,783	20,101
Total noncurrent assets	\$ 20,195,684	\$ 19,429,639
Total assets	\$ 23,952,673	\$ 22,908,319
Liabilities, deferred inflows of resources, and net position		
Liabilities		
Current liabilities		
Accounts payable	\$ 527,187	\$ 267,630
Accounts payable - WCWD	8,580	3,170
Customer deposits	168,829	161,193
Bonds and notes payable	143,500	138,000
Interest payable	27,528	29,695
Lease payable	9,202	8,754
Other current liabilities	15,212	22,893
Total current liabilities	\$ 900,038	\$ 631,335
Noncurrent liabilities		
Bonds and notes payable, net	\$ 2,408,229	\$ 2,565,276
Other postemployment benefits	98,599	92,101
Rebates payable	222,920	186,920
Lease payable	2,936	12,138
Total noncurrent liabilities	\$ 2,732,684	\$ 2,856,435
Total liabilities	\$ 3,632,722	\$ 3,487,770

Simpson County Water District
Statement of Net Position - Proprietary Fund
December 31, 2025 and 2024
(Continued)

Liabilities, deferred inflows of resources, and net position
(Continued)

Deferred inflows of resources		
Leases	\$ <u>35,633</u>	\$ <u>68,156</u>
Total deferred inflows of resources	\$ <u>35,633</u>	\$ <u>68,156</u>
Net position		
Net investment in capital assets	\$ 17,623,115	\$ 16,668,186
Restricted		
Debt service	479,133	435,749
Unrestricted	<u>2,182,070</u>	<u>2,248,458</u>
Total net position	\$ <u>20,284,318</u>	\$ <u>19,352,393</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u><u>23,952,673</u></u>	\$ <u><u>22,908,319</u></u>

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

Simpson County Water District
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenues		
Residential metered sales	\$ 1,642,343	\$ 1,428,442
Commercial metered sales	1,013,606	849,390
Industrial metered sales	520,907	393,759
Agricultural metered sales	34,633	26,707
Forfeited discounts	36,403	38,404
Miscellaneous service revenue	<u>10,786</u>	<u>21,397</u>
Total operating revenues	\$ 3,258,678	\$ 2,758,099
Operating expenses		
Purchased water	<u>\$ 1,569,806</u>	<u>\$ 1,295,381</u>
Pumping		
Purchased power	\$ 27,560	\$ 28,045
Insurance	2,557	2,222
Professional services	1,500	1,250
Miscellaneous	<u>365</u>	<u>365</u>
Total pumping	<u>\$ 31,982</u>	<u>\$ 31,882</u>
General distribution		
Salaries and benefits	\$ 123,588	\$ 131,710
Purchased power	5,000	4,109
Materials and supplies	13,974	4,846
Insurance	12,571	10,927
Contractual services	13,772	19,337
Professional services	1,500	1,250
Miscellaneous	<u>15,682</u>	<u>21,770</u>
Total general distribution	<u>\$ 186,087</u>	<u>\$ 193,949</u>
Customer accounts		
Salaries and benefits	\$ 161,596	\$ 171,820
Materials and supplies	3,795	3,174
Insurance	2,556	2,222
Contractual services	52,241	41,470
Professional services	3,000	2,500
Uncollectible accounts	6,635	2,968
Miscellaneous	<u>14,410</u>	<u>15,331</u>
Total customer accounts	<u>\$ 244,233</u>	<u>\$ 239,485</u>

Simpson County Water District
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Years Ended December 31, 2025 and 2024
(Continued)

	<u>2025</u>	<u>2024</u>
Operating expenses (Continued)		
Maintenance		
Salaries and benefits	\$ 102,087	\$ 84,269
Materials and supplies	78,340	63,177
Contractual services	49,102	103,131
Professional services	3,000	2,500
Miscellaneous	<u>22,725</u>	<u>17,696</u>
Total maintenance	\$ <u>255,254</u>	\$ <u>270,773</u>
Administrative and general		
Salaries and benefits	\$ 91,927	\$ 86,376
Other postemployment benefits	4,094	706
Materials and supplies	3,561	7,196
Insurance	4,461	3,953
Contractual services	57,896	47,130
Professional services	4,345	5,107
Miscellaneous	<u>16,711</u>	<u>15,312</u>
Total administrative and general	\$ <u>182,995</u>	\$ <u>165,780</u>
Depreciation	\$ <u>648,192</u>	\$ <u>625,940</u>
Total operating expenses	\$ <u>3,118,549</u>	\$ <u>2,823,190</u>
Total operating revenues (expenses)	\$ <u>140,129</u>	\$ <u>(65,091)</u>
Non-operating revenues (expenses)		
Interest revenue	\$ 104,069	\$ 120,638
Lease revenue	41,214	29,679
Regulatory commission tax	(4,447)	(4,340)
Interest expense (Restated)	(55,696)	(57,871)
Lease amortization	<u>(8,317)</u>	<u>(8,317)</u>
Total non-operating revenues (expenses)	\$ <u>76,823</u>	\$ <u>79,789</u>
Excess (deficiency) of revenues over expenses	\$ <u>216,952</u>	\$ <u>14,698</u>
Capital contributions		
Contributions in aid of construction	\$ <u>714,973</u>	\$ <u>2,046,981</u>
Total capital contributions	\$ <u>714,973</u>	\$ <u>2,046,981</u>

Simpson County Water District
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Years Ended December 31, 2025 and 2024
(Continued)

	<u>2025</u>	<u>2024</u>
Change in net position	\$ 931,925	\$ 2,061,679
Net position - Beginning of year	<u>19,352,393</u>	<u>17,290,714</u>
Net position - End of year	<u>\$ 20,284,318</u>	<u>\$ 19,352,393</u>

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

**Simpson County Water District
Statement of Cash Flows - Proprietary Fund
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Cash flows from operating activities		
Cash received from customers	\$ 3,195,116	\$ 2,783,431
Cash payments to suppliers for goods and services (Restated)	(1,690,640)	(1,673,421)
Cash payments to employees for services	(472,700)	(474,175)
Net cash flows from operating activities	\$ 1,031,776	\$ 635,835
Cash flows from capital and related financing activities		
Cash received from contributions in aid of construction	\$ 714,973	\$ 861,715
Cash paid for capital assets	(1,451,574)	(1,046,301)
Cash paid for leased assets	(9,600)	(9,600)
Cash received for leased assets	36,492	23,100
Cash paid for bond and note principal	(138,000)	(137,500)
Cash paid for interest on long-term debt	(70,564)	(68,705)
Net cash flows from capital and related financing activities	\$ (918,273)	\$ (377,291)
Cash flows from investing activities		
Interest received	\$ 109,417	\$ 120,638
Net cash flows from investing activities	\$ 109,417	\$ 120,638
Net increase (decrease) in cash and cash equivalents	\$ 222,920	\$ 379,182
Cash and cash equivalents - Beginning	3,088,394	2,709,212
Cash and cash equivalents - Ending	\$ 3,311,314	\$ 3,088,394
Cash and cash equivalents reported in the Statement of Net Position		
Cash and cash equivalents	\$ 2,663,352	\$ 2,491,452
Restricted cash and cash equivalents	647,962	596,942
Total cash and cash equivalents reported in the Statement of Net Position	\$ 3,311,314	\$ 3,088,394
Reconciliation of cash flows from operating activities		
Operating income	\$ 140,129	\$ (50,195)
Adjustments to reconcile income (loss) from operation to cash used in operating activities		
Depreciation	648,192	625,940
Regulatory commission tax	(4,447)	(4,340)
Changes in assets and liabilities		
Customer accounts receivable, net	(17,356)	17,338
Accounts receivable - Other	(5,038)	(18,099)
Unbilled receivables	(41,168)	(4,958)
Prepaid assets	(1,567)	(2,361)
Other current assets	5,611	(2,526)
Accounts payable	295,557	68,494
Accounts payable - WCWD	5,410	(6,535)
Customer deposits	7,636	1,372
Other postemployment benefits	6,498	706
Other current liabilities	(7,681)	10,999
Net cash flows from operating activities	\$ 1,031,776	\$ 635,835

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

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 1. Description of Entity and Summary of Significant Accounting Policies

A. Description of Entity

Simpson County Water District (District) is a tax-exempt entity organized under Kentucky Revised Statutes (KRS) Section 74.010 which provides a public water system to citizens located primarily in Simpson County, Kentucky. The District is governed by a 3-member board (Board), appointed by the Simpson County Judge Executive, and is a legally separate entity that is a component unit of Simpson County Fiscal Court.

B. Basis of Presentation and Accounting

The financial statements are presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB). The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All of the activities are accounted for as an enterprise fund (a proprietary fund) for financial reporting purposes.

C. Proprietary Fund

The District is a single-enterprise proprietary fund that operates in a manner similar to a private business enterprise and for which a periodic determination of revenues earned, expenses incurred, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. District activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized as soon as they result in liabilities for the benefits provided.

Proprietary funds distinguish operating revenues and expenses from non-operating items as follows:

- Operating revenues generally result from providing services in connection with the proprietary funds' principal ongoing operations;
- Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets; and
- Federal, state, and local assistance used to finance operations and expenses not related to the provision of water services are reported as non-operating revenues and expenses.

It is the District's policy to apply restricted resources when an obligation is incurred for which both restricted and unrestricted net position are available for use.

D. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; general liability claims; and natural disasters. The District manages these risks through the purchase of insurance.

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

E. Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. Non-exchange transactions are transactions

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 1. Description of Entity and Summary of Significant Accounting Policies *(Continued)*

E. Exchange and Non-Exchange Transactions *(Continued)*

in which the District receives value without directly giving equal value in return. Revenue from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include the following: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; (2) matching requirements, in which the District must provide local resources to be used for a specified purpose; and (3) expenditure requirements, in which resources are provided to the District on a reimbursement basis.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within 3 months or less of the date acquired by the District.

G. Accounts Receivable

Customer accounts receivable amounts arise from monthly water usage. Based on District policy, water meters are read monthly with billings occurring approximately 10 days subsequent to the reading. Once billed, the customer has 16 days to pay the amount due. If payment is not made by the due date, a late notice is sent to the customer and a grace period of up to 4 days is granted. If payment is not made at the expiration of the grace period, a late penalty is assessed to water charges and delinquent notices are sent. Customers are given 14 days from the date of the delinquent notice to render payment. Customer service may call customers to facilitate collection; if no payment is received, collection trips are made to the service location. If collection does not occur, the meter is shut off.

Management's periodic evaluation of the adequacy of the allowance for doubtful accounts is based on past loss experience, known and other risks inherent to the specific amount, adverse situations that may affect the customer's ability to render payment, and current economic conditions. Management considers many factors in determining whether a receivable is impaired, such as payment history and changes in employment.

H. Capital Assets

The District has an ongoing activity of assessing the feasibility of installing additional lines to new service areas. Once an extension is considered feasible, there are additional engineering studies, applications to various funding agencies, and project administrative costs. The District defers the ongoing activity and capitalizes these costs as part of the utility plant upon completion of the project. Management's capitalization policy is based upon the assets' estimated future benefit. Depreciation is computed using the straight-line method over the estimated useful lives of the utility plant. The estimated useful lives range from 5 to 62.5 years for utility plant assets.

I. Capital Contributions

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Contributions may include connect fees; developer contributed utility systems; other

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 1. Description of Entity and Summary of Significant Accounting Policies *(Continued)*

I. Capital Contributions *(Continued)*

supplemental support by other utilities and industrial customers; and federal, state, and local grants in support of system improvements.

J. Debt

Long-term debt is reported at face value, net of any premium or discount on the bond issuance. Bond premiums and bond discounts are amortized as interest expense over the life of the bonds.

K. Net Position

The net position classifications are defined as follows:

- *Net investment in capital assets*: This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets;
- *Restricted*: This component consists of funds with external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation; and
- *Unrestricted net position*: This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

L. Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 2. Deposits and Restricted Cash and Cash Equivalents

A. Deposits

The District maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS. According to KRS Section 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution’s failure, the District’s deposits may not be returned. The District has a formal deposit policy addressing custodial credit risk which requires their depository institutions to pledge sufficient collateral to secure their deposits in excess of FDIC insurance. At December 31, 2025 and 2024, the District’s deposits were fully covered by federal depository insurance or by collateral held by depository institutions totaling \$3,200,067 and \$3,238,523, respectively.

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 2. Deposits and Restricted Cash and Cash Equivalents *(Continued)*

B. Restricted Cash and Cash Equivalents

Restricted cash consists of the following:

	<u>2025</u>	<u>2024</u>
Sinking funds	\$ 186,693	\$ 180,149
Depreciation fund	292,440	255,600
Customer deposits fund	168,829	161,193
Total restricted cash	<u>\$ 647,962</u>	<u>\$ 596,942</u>

The sinking funds are restricted to the payment of principal and interest on long-term debt. The depreciation fund is restricted to payment for improvements and approved repairs. The customer deposits fund is restricted to holding customer deposits until service is terminated.

Note 3. Commitments

On March 6, 1992, the District signed a water purchase agreement with the White House Utility District of Robertson and Sumner Counties, Tennessee (Utility). The agreement provides that the Utility will be the primary provider of water to the District. The contract shall extend for a term of 40 years with an option to renew or extend the contract for an additional 20 years.

The District received a grant award of \$180,174 from the State of Kentucky as part of the Cleaner Water Program (CWP) Round 1. These funds are to be allocated to the Simpson County Water Line Replacements – Phase 2 project. A grant award of \$314,221 from the State of Kentucky was also received as part of the CWP Round 2, which is also to be allocated to the Simpson County Water Line Replacements – Phase 2 project. Both grants are provided through the American Rescue Plan Act of 2021. Total costs incurred as of December 31, 2025, are \$464,424.

Note 4. Long-Term Debt

A. Changes in Long-term Debt

The following reflects the long-term debt activity for the year ended December 31, 2025:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds and notes payable	\$ 1,422,500	\$	\$ 28,000	\$ 1,394,500	\$ 28,500
Other debt	1,215,000		110,000	1,105,000	115,000
Total	<u>\$ 2,637,500</u>	<u>\$</u>	<u>\$ 138,000</u>	<u>\$ 2,499,500</u>	<u>\$ 143,500</u>

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 4. Long-Term Debt *(Continued)*

A. Changes in Long-term Debt *(Continued)*

The following reflects the long-term debt activity for the year ended December 31, 2024:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds and notes payable	\$ 1,450,000	\$	\$ 27,500	\$ 1,422,500	\$ 28,000
Other debt	1,325,000		110,000	1,215,000	110,000
Total	<u>\$ 2,775,000</u>	<u>\$</u>	<u>\$ 137,500</u>	<u>\$ 2,637,500</u>	<u>\$ 138,000</u>

B. Bonds and Notes Payable

Bonds and notes payable consists of the following as of December 31, 2025:

USDA Rural Development 91-09 Series 2020 – Revenue Bonds, interest at 1.875% with a maturity date of January 1, 2060.	\$ 1,394,500
Unamortized premium (discount), net	52,229
Total bonds and notes payable	<u>\$ 1,446,729</u>
Less: Current maturities	28,500
Total long-term bonds and notes payable	<u>\$ 1,420,229</u>

Bonds and notes payable consists of the following as of December 31, 2024:

USDA Rural Development 91-09 Series 2020 – Revenue Bonds, interest at 1.875% with a maturity date of January 1, 2060.	\$ 1,422,500
Unamortized premium (discount), net	65,776
Total bonds and notes payable	<u>\$ 1,488,276</u>
Less: Current maturities	28,000
Total long-term bonds and notes payable	<u>\$ 1,460,276</u>

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 4. Long-Term Debt *(Continued)*

B. Bonds and Notes Payable *(Continued)*

Principal and interest due at December 31, 2025 follows:

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>
2026	\$ 25,880	\$ 28,500
2027	25,341	29,000
2028	24,792	29,500
2029	24,234	30,000
2030	23,667	30,500
2031 – 2035	109,383	162,500
2036 – 2040	93,427	178,500
2041 – 2045	75,914	195,500
2046 – 2050	56,695	214,500
2051 – 2055	35,630	235,500
2056 – 2060	12,473	260,500
Total	<u>\$ 507,436</u>	<u>\$ 1,394,500</u>

Principal and interest due at December 31, 2024 follows:

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>
2025	\$ 26,409	\$ 28,000
2026	25,880	28,500
2027	25,341	29,000
2028	24,792	29,500
2029	24,234	30,000
2030 – 2034	112,402	159,500
2035 – 2039	96,741	175,000
2040 – 2044	79,547	192,000
2045 – 2049	60,680	210,500
2050 – 2054	40,003	231,000
2055 – 2059	17,292	253,500
2060	525	56,000
Total	<u>\$ 533,846</u>	<u>\$ 1,422,500</u>

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 4. Long-Term Debt *(Continued)*

B. Bonds and Notes Payable *(Continued)*

Bond Collateralization and Event of Default Consequence

According to bond documents, the bonds shall be payable solely out of the gross revenues of the District. Upon the occurrence of an Event of Default, and upon the filing of a suit by any Owner of said bonds, any court having jurisdiction of the action may appoint a receiver to administer said District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses, for payment of principal and interest on the prior bonds and current bonds and apply the income and revenues in conformity with the Resolution and with the laws of the Commonwealth of Kentucky.

C. Other Debt

Other debt consists of the following as of December 31, 2025:

Kentucky Rural Water Finance Corporation Series 2021A – Refunding Loan, interest at 2.25% - 4.25% with a maturity date of February 1, 2034.	\$	1,105,000
Total other debt	\$	1,105,000
Less: Current maturities		115,000
Total other debt	\$	<u>990,000</u>

Other debt consists of the following as of December 31, 2024:

Kentucky Rural Water Finance Corporation Series 2021A – Refunding Loan, interest at 2.25% - 4.25% with a maturity date of February 1, 2034.	\$	1,215,000
Total other debt	\$	1,215,000
Less: Current maturities		110,000
Total other debt	\$	<u>1,105,000</u>

Principal and interest due at December 31, 2025 follows:

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>
2026	\$ 32,319	\$ 115,000
2027	27,325	120,000
2028	22,119	125,000
2029	16,594	135,000
2030	12,206	135,000
2031 – 2034	18,169	475,000
Total	<u>\$ 128,732</u>	<u>\$ 1,105,000</u>

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 4. Long-Term Debt *(Continued)*

C. Other Debt *(Continued)*

Principal and interest due at December 31, 2024 follows:

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>
2025	\$ 37,100	\$ 110,000
2026	32,319	115,000
2027	27,325	120,000
2028	22,119	125,000
2029	16,594	135,000
2030 – 2034	30,375	610,000
Total	<u>\$ 165,832</u>	<u>\$ 1,215,000</u>

Note 5. Capital Assets

Capital assets at December 31, 2025 consists of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Assets not being depreciated:				
Land and land rights	\$ 25,549	\$	\$	\$ 25,549
Construction in progress	635,272	1,284,937	1,132,829	787,380
Assets being depreciated:				
Utility plant in service	<u>28,120,206</u>	<u>1,299,466</u>	<u></u>	<u>29,419,672</u>
Total capital assets	\$ 28,781,027	\$ 2,584,403	\$ 1,132,829	\$ 30,232,601
Less: Accumulated depreciation	<u>9,409,565</u>	<u>648,192</u>	<u></u>	<u>10,057,757</u>
Capital assets, net	<u>\$ 19,371,462</u>	<u>\$ 1,936,211</u>	<u>\$ 1,132,829</u>	<u>\$ 20,174,844</u>

Capital assets at December 31, 2024 consists of the following:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Assets not being depreciated:				
Land and land rights	\$ 25,549	\$	\$	\$ 25,549
Construction in progress	526,134	558,796	449,658	635,272
Assets being depreciated:				
Utility plant in service	<u>25,917,302</u>	<u>2,205,863</u>	<u>2,959</u>	<u>28,120,206</u>
Total capital assets	\$ 26,468,985	\$ 2,764,659	\$ 452,617	\$ 28,781,027
Less: Accumulated depreciation	<u>8,786,584</u>	<u>625,940</u>	<u>2,959</u>	<u>9,409,565</u>
Capital assets, net	<u>\$ 17,682,401</u>	<u>\$ 2,138,719</u>	<u>\$ 449,658</u>	<u>\$ 19,371,462</u>

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 6. Rebates Payable

These amounts are partially made up of private developers' unrecovered costs in installing water lines. Capital assets were increased for a like amount when the facilities were donated to the District. As meters are placed in the development, the developer receives up to half of the new customers' contributions for meters connected directly to the extension over the next 10 years or up to the value of facilities constructed. The remaining balance in this account was obtained from subscriptions of prospective users of the District. When a meter is installed, the subscribed amount is transferred to contributions in aid of construction.

Note 7. Related Parties

The Warren County Water District (Warren) provides management, engineering, and repair and maintenance services to the District. The District included \$8,416 and \$2,620, respectively, in accounts payable at December 31, 2025 and 2024. During 2025 and 2024, expenses from Warren amounted to \$1,335,153 and \$1,186,611, respectively, for the following:

	<u>2025</u>	<u>2024</u>
Wages and benefits		
Operation	\$ 300,180	\$ 334,120
Administrative		
Supervision and administration	116,748	113,362
Accounting	43,599	38,452
Customer service	62,047	51,448
Operations	20,113	5,969
Engineering	8,667	10,157
Operations – Other	309,275	225,592
Additions to plant	460,665	391,570
Special projects	<u>33,859</u>	<u>15,941</u>
Total	<u>\$ 1,335,153</u>	<u>\$ 1,186,611</u>

In addition to the previously identified expenses from Warren, the District also recognized other postemployment benefits (OPEB) expense of \$4,094 in 2025 and \$706 in 2024. Warren adopted GASB Statement No. 45 in 2016 and GASB Statement No. 75 in 2019, which requires Warren to accrue the projected value of retiree healthcare benefits earned during its employees' working lifetime. The OPEB expense reflected in the Statement of Revenues, Expenses, and Changes in Net Position is the District's proportionate share of annual OPEB costs (expense) recorded by Warren, in accordance with relevant accounting and financial reporting standards. The District's portion of the OPEB liability, included in the Statement of Net Position, totaled \$98,599 and \$92,101, respectively, at December 31, 2025 and 2024. In the ordinary course of business, the District has and expects to continue to have transactions with Warren. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other entities and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 8. Leases

Lessor

The District leases water tank space under leases whose terms are greater than 1 year. The total amount of inflows of resources, including lease revenue, interest, revenue, and other lease-related inflows, recognized was \$36,492 and \$38,322 during the years ended December 31, 2025 and December 31, 2024, respectively. This total represents amounts not previously included in the measurement of the lease receivable. Future minimum commitments for these leases as of December 31, 2025 are as follows:

<u>Year Ending June 30,</u>		<u>Interest</u>		<u>Principal</u>
2026	\$	1,245	\$	29,019
2027		89		9,057
Total	\$	<u>1,334</u>	\$	<u>38,076</u>

Future minimum commitments for these leases as of December 31, 2024 are as follows:

<u>Year Ending June 30,</u>		<u>Interest</u>		<u>Principal</u>
2025	\$	2,732	\$	33,148
2026		1,245		29,019
2027		89		9,057
Total	\$	<u>4,066</u>	\$	<u>71,224</u>

Lessee

The District leases office space under leases whose terms are greater than 1 year. The total of the District's leased assets are recorded at a cost of \$41,587, net of lease accumulated amortization of \$29,804 and \$21,487, at December 31, 2025 and December 31, 2024, respectively. The implicit rate for these leases was unavailable, but the District used an approximate incremental borrowing rate of 5% in determining the present value of lease payments. Future minimum commitments for these leases as of December 31, 2025 are as follows:

<u>Year Ending June 30,</u>		<u>Interest</u>		<u>Principal</u>
2026	\$	398	\$	9,202
2027		29		2,936
Total	\$	<u>427</u>	\$	<u>12,138</u>

Simpson County Water District
Notes to the Financial Statements
For the Years Ended December 31, 2025 and 2024
(Continued)

Note 8. Leases *(Continued)*

Lessee *(Continued)*

Future minimum commitments for these leases as of December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>
2025	\$ 846	\$ 8,754
2026	398	9,202
2027	29	2,936
Total	<u>\$ 1,273</u>	<u>\$ 20,892</u>

Note 9. Reclassification of Prior-Year Statement of Cash Flows Amounts

Certain prior-year amounts reported in the Statement of Cash Flows have been reclassified to conform to the current-year presentation. Specifically, certain cash flows related to leases accounted for under GASB Statement No. 87, *Leases*, that were previously presented within operating activities have been reclassified to capital and related financing activities to reflect the current-year classification approach.

Note 10. Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through April 9, 2026, the date which the financial statements were available to be issued.

Supplementary Information

**Simpson County Water District
Schedule of Budgetary Comparison
For the Year Ended December 31, 2025**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Metered water revenue	\$ 3,122,300	\$ 3,122,300	\$ 3,211,489	\$ 89,189
Forfeited discounts	43,200	36,200	36,403	203
Miscellaneous service revenue	24,500	22,500	10,786	(11,714)
Interest	77,400	87,400	104,069	16,669
Lease	42,200	37,200	41,214	4,014
Total revenues	\$ 3,309,600	\$ 3,305,600	\$ 3,403,961	\$ 98,361
Expenses				
Salaries and wages	\$ 320,600	\$ 320,600	\$ 304,610	\$ 15,990
Commissioner fees	10,800	10,800	10,800	
Employee overhead	185,400	182,400	174,588	7,812
Purchased water	1,590,100	1,620,100	1,569,806	50,294
Purchased power	37,000	37,000	32,560	4,440
Materials and supplies	80,500	105,500	99,670	5,830
Contractual services - Accounting	14,000	14,000	12,000	2,000
Contractual services - Legal	4,000	3,000	1,345	1,655
Contractual services - Other	193,100	183,100	173,011	10,089
Rental of building and property	10,100	11,100	3,192	7,908
Equipment	49,700	49,700	46,763	2,937
Insurance - Liability and property	21,100	22,100	21,307	793
Insurance - Treasury bond	800	1,300	839	461
Regulatory commission tax	4,900	5,400	4,447	953
Bad debts expense	4,400	7,400	6,635	765
Miscellaneous expense	6,000	11,000	9,137	1,863
Depreciation	652,400	665,400	648,192	17,208
Amortization expense	127,300	19,300	8,317	10,983
Interest expense	180,900	83,900	55,696	28,204
OPEB expense	4,400	9,400	4,094	5,306
Total expenses	\$ 3,497,500	\$ 3,362,500	\$ 3,187,009	\$ 175,491
Excess (deficiency) of revenues over expenses	\$ (187,900)	\$ (56,900)	\$ 216,952	\$ 273,852
Contributions in aid of construction	774,395	659,395	714,973	55,578
Net change in net position	\$ 586,495	\$ 602,495	\$ 931,925	\$ 329,430
Net position - Beginning of year	19,231,828	18,477,433	19,352,393	874,960
Net position - End of year	\$ 19,818,323	\$ 19,079,928	\$ 20,284,318	\$ 1,204,390

Jones & Associates CPAs, PSC

Certified Public Accountants



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To the Board of Commissioners of
Simpson County Water District
Franklin, Kentucky

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*

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 Simpson County Water District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Simpson County Water District's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 9, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Simpson County 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simpson County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Simpson 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. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Simpson 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

**To the Board of Commissioners of
Simpson County Water District
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*
(Continued)**

Report on Compliance and Other Matters (Continued)

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

April 9, 2026