

Todd County Water District
A Component Unit of
Todd County, Kentucky

FINANCIAL STATEMENTS

December 31, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

Commissioners
Todd County Water District
Elkton, Kentucky

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

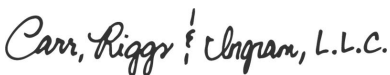
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and select pension and OPEB information on pages 50 through 59 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 August 26, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Carr, Riggs & Ingram, L.L.C.
Bowling Green, Kentucky
August 26, 2026

**Todd County Water District
Management's Discussion and Analysis**

Todd County Water District

A Component Unit of Todd County, Kentucky

Management's Discussion and Analysis

Years Ended December 31, 2025 and 2024

The Todd County Water District's discussion and analysis is designed to offer readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2025 and 2024. Readers are encouraged to read the Management's Discussion and Analysis included in the audit and the District's financial statements.

• **FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of resources of the District exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,615,474 compared to \$8,727,935 in the 2024 fiscal year. This is an increase from the 2023 fiscal year when the total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$7,389,134. Of this amount, \$4,588,930 may be used to meet the District's ongoing obligations to citizens and creditors, as compared to \$4,067,518 for the 2024 fiscal year and \$3,348,435 for the 2023 fiscal year. It is the District's intent to use these assets to operate the District and fund capital improvements. The restricted net position is earmarked for unbudgeted repairs and maintenance costs and debt service of the District. Total deferred outflows of resources were \$208,167 for 2025 compared to \$274,118 for 2024 and \$403,342 in 2023.
- The District has \$10,333,512, in long-term debt, net of current portion, as compared to \$11,043,220 for the 2024 fiscal year and \$11,186,977 for the 2023 fiscal year. Of this amount, \$770,305 is related to the net pension liability formed by the implementation of GASB 68, compared to \$826,973 in the 2024 fiscal year and \$902,224 in the 2023 fiscal year.

► **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) Financial Statements; and 2) Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Todd County Water District Management's Discussion and Analysis

► FINANCIAL STATEMENTS

The 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 statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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.

The statement of revenues and expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the 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.

The financial statements can be found on pages 10 through 48 of this report.

► Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 46 of this report.

• FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,615,474 as compared with \$8,727,935 for the 2024 fiscal year and \$7,389,134 for the 2023 fiscal year.

Net Position as of December 31, 2025 and 2024

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Current assets	5,733,675	6,758,284	6,875,528
Capital and other assets	<u>13,007,408</u>	<u>13,157,876</u>	<u>13,152,946</u>
<i>Total Assets</i>	18,741,083	19,916,160	20,028,474
Deferred amount of debt refundings	40,141	36,380	32,768
Pension/OPEB Related related	<u>363,201</u>	<u>237,738</u>	<u>175,399</u>
Total Deferred Outflows of Resources	<u>403,342</u>	<u>274,118</u>	<u>208,167</u>
Long-term liabilities	10,633,916	10,192,437	9,757,041
Other liabilities (current)	<u>553,061</u>	<u>850,783</u>	<u>563,173</u>
<i>Total Liabilities</i>	<u>11,186,977</u>	<u>11,043,220</u>	<u>10,320,214</u>

Todd County Water District Management's Discussion and Analysis

<i>Pension/OPEB related</i>	568,314	419,123	280,968
<i>Total Deferred Inflows of Resources</i>	<u>568,314</u>	<u>419,123</u>	<u>419,123</u>
Net Position			
Net investment in capital assets	3,380,617	3,909,698	4,274,194
Restricted	660,082	750,719	790,385
Unrestricted	<u>3,348,435</u>	<u>4,067,518</u>	<u>4,569,985</u>
<i>Total Net Position</i>	<u>7,389,134</u>	<u>8,727,935</u>	<u>9,634,564</u>

By far the largest portion of the District's net position in the amount of \$4,222,856 reflects its investment in capital assets (e.g., infrastructure, buildings, equipment, and vehicles). This is an increase from \$3,909,698 for the 2024 fiscal year and \$3,380,617 in the 2023 fiscal year. The District's net position decreased in 2022 to \$3,715,079 from \$3,834,883 in 2021. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Major capital assets in 2025 included cellular endpoints for the entire system and master metering vaults to assist in water loss.

Unrestricted net assets in the amount \$4,588,930 may be used to meet the District's ongoing obligation to customers and creditors. This is an increase from \$4,067,518 from the 2024 fiscal year and \$3,348,435 from the 2023 fiscal year. The remaining restricted net position is for replacement reserves for future years.

Deferred Outflows of Resources decreased to \$208,167 in 2025 from \$274,118 in 2024. Deferred Outflows of Resources also decreased in 2024 from \$403,342 in 2023. The decrease in 2025 included \$103,593 in pension related outflows and \$71,806 in OPEB related outflows. This decrease is a result of a lesser liability.

At December 31, 2025, and 2024, the District is able to report positive balances in all categories of net assets

Changes in Net Position

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues			
Water service revenues	2,899,027	3,117,440	3,284,686
Other revenues	<u>87,890</u>	<u>76,479</u>	<u>50,566</u>
Total Operating Revenues	<u>2,986,917</u>	<u>3,193,919</u>	<u>3,335,252</u>
Expenses			
Water operations	<u>2,464,178</u>	<u>2,556,939</u>	<u>2,955,449</u>
Total Operating Expenses	<u>2,464,178</u>	<u>2,556,939</u>	<u>2,955,449</u>
Net Operating (Loss) Income	<u>522,739</u>	<u>636,980</u>	<u>379,803</u>

Todd County Water District Management's Discussion and Analysis

Non-operating revenue (expenses), net	(82,964)	556,664	410,513
Income Before Capital Contributions	439,775	1,193,644	790,316
Capital contributions	77,335	145,157	116,313
Change in Net Position	517,110	1,338,801	906,629
Net Position – Beginning of Year, as previously reported	6,872,024	7,389,134	8,727,935
Net Position – End of Year	<u>7,389,134</u>	<u>8,727,935</u>	<u>9,634,564</u>

● Revenues

Water sold is the Water District's primary source of revenue. For the fiscal year of 2025 revenue from water sold was \$3,316,034 an increase from \$3,117,440 in the 2024 year. This is an increase of \$198, 594, due to continued residential and industrial expansion in the area. In 2024, Water sold increased by \$218,413 compared to \$2,899,027 in the 2023 year reflecting the increased usage from industrial expansion.

Capital grants and contributions totaled \$116,313 for fiscal year 2025. These funds were received from customers for tap on fees and from USDA grant funds. This is a decrease from \$145,157 for the fiscal year of 2024. There were less funds received from USDA grants from 2024 to 2025. There was a slight increase in the 2024 fiscal year from \$77,335 for the fiscal year of 2023. USDA grant funds were used to replace cellular endpoints for the system.

Unrestricted investment earnings totaled \$168, 665 for the fiscal year 2025 a decrease of \$58,396 compared to \$227,061 for the 2024 fiscal year. The unrestricted investment earnings increased \$132,503 from \$94,558 in 2023. The decrease from 2024 to 2025 reflects the use of funds from reserve accounts for construction and system improvements. The District earned its investment revenues by placing idle cash in Certificates of Deposits and Reserve Funds.

Other operating revenues totaled \$54,661 for the fiscal year 2025 which was a decrease from the prior year. The 2024 total for Other Operating Revenue was \$76,479 and 2023 was \$87,890. This revenue is from late charges and other miscellaneous charges. The decrease in Other Operating Revenue this year reflects several months where not late charges were added to accounts.

Todd County Water District Management's Discussion and Analysis

Expenses

Operating expenses totaled \$3,009,982 for the fiscal year 2025 which was an increase from the 2024 amount of \$2,556,939. There was an increase in 2024 from the 2023 amount of \$2,464,178. These expenses relate directly to the everyday operations of the District such as payroll, transmission and distribution, and purchased water. A significant increase came from Contract Services from line extensions and Dues and subscriptions from Cellular Endpoint fees.

Interest expense totaled \$182,263 for the 2025 fiscal year. This is a decrease from \$194,862 for fiscal year 2024. There was a decrease in 2024 from \$206,633 for the 2023 fiscal year.

Change in net position decreased for 2025 at \$887,539 compared to \$1,338,801 in 2024. The decrease in Net Position reflects the increase of Operating Expense for 2025. The change in net position for 2023 was \$517,110.

• CAPITAL ASSETS AND DEBT ADMINISTRATION

► Capital Assets

The District's capital assets at December 31, 2025 amounts to \$13,114,911 (net of accumulated depreciation). Capital assets includes infrastructure, buildings, equipment and vehicles. This is a decrease from \$13,133,932 for the 2024 fiscal year. Capital assets for the 2023 fiscal year was \$12,987,996.

Additional information on the District's capital assets can be found in Note 4 of the financial statements.

► LONG-TERM DEBT

Long-term debt, net of current portion, totaled \$10,333,512 at December 31, 2025, a slight decrease from \$11,043,220 for the 2024 fiscal year. Outstanding debt at year-end was to finance the District's infrastructure. The only activity for debt was the servicing requirements and borrowing for the expansion projects. In 2025, the net pension liability relating to GASB 68 totaled \$770,305 which was a decrease compared to \$826,973 in 2024. This was a decrease compared to \$902,224 in 2023.

► Operation and Maintenance Budgetary Highlights

The District's O & M budget was increased by 3 percent over the prior year. Variances between the revenues that were budgeted and the actual amounts collected are not significant.

Any variances are not expected to have a significant effect on future services or liquidity of the District.

Also now having Budgetary Influence on the Water District are the effects of the adoption of

Todd County Water District Management's Discussion and Analysis

GASB 68. These effects are noted beginning on page 26 "Employee Retirement Plan" thru page 31.

► Economic Factors and Next Year's Budget and Rates

The District's primary source of revenue is water sold to customers. This revenue will vary along with the number of customers the Water District has at any given time.

The costs of water and line loss are areas the District continually monitor as they have the most direct impact on the operations of the District.

During the current fiscal year, the Operation and Maintenance account balance increased to \$1,826,506. This is a change (increase) from the 2024 balance of \$1,528,910. This increase is due to the lack of purchase of certificates of deposits, but increase of interest on accounts with Elkton Bank & Trust. There was an increase in the 2024 fiscal year from \$955,121 in the 2023 fiscal year.

• Requests 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 should be addressed to Todd County Water District, PO Box 520, Elkton, KY 42220.

Todd County Water District Statements of Net Position

<i>December 31,</i>	2025	2024
Assets		
Current assets		
Cash	\$ 1,826,506	\$ 1,528,910
Short-term investments	2,987,219	2,913,869
Accounts receivable — billed	292,518	314,724
Accounts receivable — unbilled	133,242	118,794
Supplies inventory	219,741	231,797
Prepaid expenses	77,735	64,201
Total current assets	5,536,961	5,172,295
Cash — restricted	1,369,915	1,585,989
Noncurrent assets		
Utility plant in service	26,059,739	25,399,784
Less: accumulated depreciation	(12,944,828)	(12,265,852)
Net utility plant	13,114,911	13,133,932
Net OPEB asset	-	23,944
Total noncurrent assets	13,114,911	13,157,876
Total assets	20,021,787	19,916,160
Deferred outflows of resources		
Deferred outflow on debt refundings	32,768	36,380
Deferred outflow related to pensions	103,593	165,243
Deferred outflow related to OPEB	71,806	72,495
Total deferred outflows of resources	208,167	274,118

-Continued-

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

Todd County Water District
Statements of Net Position (Continued)

<i>December 31,</i>	2025	2024
Liabilities		
Current liabilities		
Accounts payable	92,062	93,920
Accrued liabilities	12,089	309,130
Accrued interest payable	99,018	100,233
Current portion of notes payable	360,000	347,500
Total current liabilities	563,169	850,783
Noncurrent liabilities		
Long-term debt, due after one year	8,825,500	9,185,500
Net unamortized bond premium	161,236	179,964
Net pension liability	770,305	826,973
Net OPEB liability	13,303	-
Total noncurrent liabilities	9,770,344	10,192,437
Total liabilities	10,333,513	11,043,220
Deferred Inflows of Resources		
Deferred inflows related to pension	111,499	159,859
Deferred inflows related to OPEB	169,469	259,264
Total deferred inflows of resources	280,968	419,123
Net Position		
Net investment in capital assets	4,222,856	3,909,698
Restricted	803,688	750,719
Unrestricted	4,588,929	4,067,518
Total net position	\$ 9,615,473	\$ 8,727,935

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

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

<i>For the years ended December 31,</i>	2025	2024
Operating Revenues		
Water revenue	\$ 3,316,034	\$ 3,117,440
Late charges	24,255	33,208
Retirement - net change	-	5,869
Other	30,406	37,402
Total operating revenues	3,370,695	3,193,919
Operating Expenses		
Payroll	511,212	446,285
Retirement	3,195	-
Health insurance	57,135	40,633
Payroll taxes	39,024	33,889
Purchased water	1,092,342	1,021,944
Transmission and distribution	224,374	30,226
Contract services	89,388	55,494
Utilities	27,592	21,074
Telephone	5,992	5,171
Dues and subscriptions	54,192	22,836
Professional fees	32,319	41,011
Insurance	49,605	44,447
Commissioners' fees	18,000	18,000
Taxes and licenses	5,109	5,702
Office supplies and postage	69,223	82,836
Depreciation	678,976	632,132
Travel	22,075	29,578
Bad debts	22,397	20,330
Miscellaneous	7,833	5,351
Total operating expenses	3,009,983	2,556,939
Operating income	360,712	636,980

-Continued-

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

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

<i>For the years ended December 31,</i>	2025	2024
Nonoperating Revenues (Expenses)		
Grant revenue	424,111	496,468
Interest income	168,665	227,061
Gain on sale of capital assets	-	27,997
Interest expense	(182,263)	(194,862)
Total nonoperating revenues (expenses) - net	410,513	556,664
Income before capital contributions	771,225	1,193,644
Capital contributions	116,313	145,157
Change in net position	887,538	1,338,801
Net position — beginning of year	8,727,935	7,389,134
Net position — end of year	\$ 9,615,473	\$ 8,727,935

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

Todd County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2025	2024
Operating Activities		
Cash received from customers	\$ 3,378,453	\$ 3,166,887
Cash payments to suppliers for goods and services	(2,095,359)	(1,317,706)
Cash paid to employees	(628,236)	(542,952)
Net cash provided by operating activities	654,858	1,306,229
Capital and Related Financing Activities		
Interest paid on long-term debt	(201,620)	(196,047)
Purchase of capital assets	(659,955)	(817,665)
Proceeds from sale of capital assets	-	32,298
Principal payments on long-term debt	(347,500)	(334,500)
Nonoperating grants received	424,111	496,468
Capital contributions	116,313	145,157
Net cash used in capital and related financing activities	(668,651)	(674,289)
Investing Activities		
Interest income	95,315	227,061
Proceeds from maturities of investments	-	367,522
Purchase of investments	-	(127,412)
Net cash provided by investing activities	95,315	467,171
Net increase in cash	81,522	1,099,111
Cash - beginning of year	3,114,899	2,015,788
Cash - end of year	\$ 3,196,421	\$ 3,114,899

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

Todd County Water District
Statements of Cash Flows

<i>For the years ended December 31,</i>	2025	2024
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 360,712	\$ 636,980
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	678,975	632,132
Amortization expense	3,027	-
Bad debt expense	-	20,330
Pension expense in excess of pension contributions	(43,378)	(41,226)
OPEB expense variance from contributions	(51,859)	(62,285)
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
(Increase) decrease in assets and deferred outflows		
Accounts receivable	7,758	(27,032)
Inventory	12,056	(126,758)
Prepaid expenses	(13,534)	(11,819)
Increase (decrease) in liabilities and deferred inflows		
Accounts payable	(1,858)	11,131
Accrued liabilities	(297,041)	274,776
Net cash provided by operating activities	\$ 654,858	\$ 1,306,229

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

Todd County Water District Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Todd County Water District (the "District") was chartered in 1971. It is a distributor of water under the authority of the Public Service Commission of Kentucky. The District provides service to customers in Todd County and a small area in Logan and Muhlenberg Counties.

Reporting Entity

The District is governed by a five-member board (the "Board"). The criteria for determining the District as a component unit of Todd County, Kentucky, the primary government, is financial accountability. As set forth in Section 2100, *Defining the Financial Reporting Entity*, of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to impose its will on that organization. The majority of the Commissioners of the Board are appointed by the Todd County Judge Executive subject to the approval of the Todd County Fiscal Court. Todd County is able to impose its will on the District through the ability to remove appointed members of the Board at will and the ability to modify or approve the budget of the District.

Measuring Focus, Basis of Accounting, and Financial Statement Presentation

The District's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the District conform to applicable generally accepted accounting principles as defined in the pronouncements of GASB. The District's basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity.

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

Todd County Water District Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments consist of non-participating/non-negotiable certificates of deposit and are recorded at cost. The cost of investments approximates their fair value. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool.

Accounts Receivable

Billed receivables are stated at the amount billed to customers. Unbilled receivables are recorded for services provided for which customers have not been billed at December 31, 2025 and 2024. The District's operating revenues are recognized on the basis of cycle billings rendered monthly. Accounts receivable are due on the 10th of each month. Accounts unpaid on the 25th of each month are considered delinquent and service is disconnected. The District provides no allowance for doubtful accounts due to the historical nature of the accounts receivable and the District's ability to disconnect service. Delinquent receivables are written off. New service is denied until all outstanding balances have been settled.

Supplies Inventory and Prepaid Items

Inventories are valued at cost using the first-in/first-out ("FIFO") method and consist of expendable supplies. The cost of such supplies inventory is recorded as an expense when consumed rather than when purchased.

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

Restricted Assets

Certain assets of the District are classified as restricted assets on the statement of net position because their use is limited by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Bond debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds obligations.

Net asset OPEB – Net OPEB asset allocated from multiemployer defined benefit plan.

Todd County Water District Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Utility Plant

Expenditures for utility plant with an original cost of \$500 or more and an estimated useful life in excess of one year are capitalized at cost. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Communication equipment	10 years
Distribution reservoirs and standpipes	30 years
Transmission and distribution	5-40 years
Meters and installations	5-20 years
Hydrants	40 years
Miscellaneous equipment	3-10 years
Office equipment	5-15 years
Power operating equipment	3-10 years
Structures and improvements	20-40 years

Bond Discount and Premiums

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

Deferred Outflows/Inflows of Resources

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

The District has three (3) items that qualify for reporting as deferred outflows of resources, the *deferred amount on refunding*, the *deferred outflows related to pensions* and the *deferred outflows related to Other Post Employee Benefits (OPEB)*, all three are reported in the statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceeds their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt.

Todd County Water District Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. The deferred outflows related to OPEB will be recognized as either OPEB expense or a reduction in the net OPEB liability in future reporting years.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two (2) items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The *deferred inflows related to OPEB* are an aggregate of items related to OPEB. The deferred inflows related to OPEB will be recognized as a reduction to OPEB expense in future reporting years.

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value.

Todd County Water District Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Net Position

Net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets — This component of net position consists of the District's total investment in capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of the net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Todd County Water District Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Net Position (Continued)

Restricted — This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets will be reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Net Position — This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

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

Concentration of Credit Risk

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

Use of Estimates

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

Subsequent Events

The District has evaluated subsequent events through the date that the financial statements were available to be issued August 26, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

Recently Issued Accounting Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting blueprint to enhance its effectiveness in providing essential information and to address certain application issues. The Statement requires changes to management's discussion and analysis to make it easier to read and understand and to focus on explaining the reasons why balances and results of operation have changed. The Statement also provides more explicit definitions of operating and nonoperating revenues and expenses and changes the presentation of nonoperating revenues and expenses in the proprietary funds statement of revenues, expenses, and changes in fund net position. The new standards also (1) combine extraordinary items and special items into a single category, unusual or infrequent items, and clarify how they should be reported; (2) limits the reporting of major component unit information to the face of the government-wide financial statements, if it does not reduce their readability, or in combining financial statements following the fund financial statements; and (3) requires that budgetary comparisons be presented as required supplementary information, eliminating the option to present them as basic financial statements. The only significant impact of implementing Statement 103 was the change from displaying nonoperating revenues and expenses in a single section of the proprietary funds statement of revenues, expenses, and changes in fund net position to separately displaying noncapital subsidies from other nonoperating revenues and expenses. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. In addition to existing requirements regarding the level of detail with which notes to financial statements should disclose intangible right-to-use lease and subscription-based information technology arrangements (SBITA) assets, the Statement requires that (1) intangible right-to-use assets recognized by government operators in a public-public partnership should be disclosed by major class of underlying asset; (2) other types of intangible assets should be disclosed by major class; and (3) right-to-use assets should be disclosed separately from owned assets of the same type. The Statement also establishes that capital assets held for sale are those a government has decided to sell and whose sale within a year of the financial statement date is probable. Capital assets held for sale should be disclosed together with other capital assets of the same class. Governments also should disclose in notes the historical cost and accumulated depreciation (or amortization) of capital assets held for sale, as well as the carrying amount of debt for which they are pledged as collateral, by major class of asset for governmental and business-type activities. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

GASB Statement No. 105, *Subsequent Events*. The objective of this Statement is to enhance the consistency with which the standards for reporting subsequent events are applied, thereby better meeting the information needs of financial statement users. The Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued (that is, when the financial statements are complete in a form and format that complies with generally accepted accounting principles and approvals necessary for issuance have been obtained), rather than the date the financial statements are issued. The date through which subsequent events have been evaluated should be disclosed. A recognized subsequent event provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date and should be reflected in those estimates. A nonrecognized subsequent event results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following: a debt-related transaction; government combination or a disposal of government operations; a change to the legally separate entities that compose the financial reporting entity; or a transaction or other event that is of such a nature that disclosure is essential to a user's analysis for making decisions or assessing accountability. Governments will be required to disclose a description of the nonrecognized event and its effect and an estimate of the amount of the effect (or the reason why an estimate cannot be made). The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

Todd County Water District Notes to Financial Statements

NOTE 2: CASH AND INVESTMENTS

Deposits

The District maintains its deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2025 and 2024, respectively, the carrying amounts of the District's deposits were \$6,183,640 and \$6,028,768 and the bank balances were \$6,243,521 and \$6,065,437. Of the bank balances, \$6,243,521 and \$6,065,437 was covered by FDIC insurance or by collateral held by an institution for the pledging Bank, in the District's name and \$0 and \$0 was uninsured and uncollateralized.

<i>December 31,</i>	2025		2024
Cash	\$ 1,826,506	\$	1,528,910
Investments	2,987,219		2,913,869
Restricted cash	1,369,915		1,585,989
	\$ 6,183,640	\$	6,028,768

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute for bank deposits to be collateralized. As of December 31, 2025 and 2024, \$0 and \$0 of the District's bank balance was exposed to custodial credit risk.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has an investment policy that requires additional investments to be in the form of a certificate of deposit. As of December 31, 2025 all certificates of deposit mature within 12 months.

Concentration of Credit Risk

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

Todd County Water District
Notes to Financial Statements

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3: CASH – RESTRICTED

Restricted cash consists of the following at:

<i>December 31,</i>	2025	2024
Construction	\$ 144,314	\$ 406,864
Depreciation reserve	803,688	726,775
Debt service reserve	421,913	452,350
	\$ 1,369,915	\$ 1,585,989

Certain bond agreements require the District to maintain replacement and debt sinking reserves. The construction amount is unspent bond proceeds from the District's last construction project.

Todd County Water District Notes to Financial Statements

NOTE 4: UTILITY PLANT

The following is a summary of changes in capital assets during the years ended December 31, 2025 and 2024:

<i>December 31, 2025</i>	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 116,229	\$ -	\$ -	\$ 116,229
Construction in progress	220,837	447,690	(668,527)	-
Capital assets not being depreciated	337,066	447,690	(668,527)	116,229
Capital assets, being depreciated:				
Structures and improvements	3,664,560	668,527	-	4,333,087
Distribution reservoirs and standpipes	3,233,074	-	-	3,233,074
Transmission and distribution mains	15,236,477	77,567	-	15,314,044
Meters and installations	2,562,744	130,064	-	2,692,808
Hydrants	9,900	-	-	9,900
Miscellaneous equipment	257,334	4,330	-	261,664
Office equipment	95,754	304	-	96,058
Communication equipment	2,875	-	-	2,875
Capital assets, being depreciated	25,062,718	880,792	-	25,943,510
Less accumulated depreciation for:				
Structures and improvements	(479,157)	(126,119)	-	(605,276)
Distribution reservoirs and standpipes	(1,823,486)	(91,978)	-	(1,915,464)
Transmission and distribution mains	(7,947,252)	(347,255)	-	(8,294,507)
Meters and installations	(1,784,803)	(77,531)	-	(1,862,334)
Hydrants	(9,158)	(248)	-	(9,406)
Miscellaneous equipment	(144,658)	(30,882)	-	(175,540)
Office equipment	(74,468)	(4,957)	-	(79,425)
Communication equipment	(2,870)	(5)	-	(2,875)
Total accumulated depreciation	(12,265,852)	(678,975)	-	(12,944,827)
Total capital assets being depreciated, net	12,796,866	201,817	-	12,998,683
Utility plant, net	\$ 13,133,932	\$ 649,507	\$ (668,527)	\$ 13,114,912

Todd County Water District
Notes to Financial Statements

NOTE 4: UTILITY PLANT (CONTINUED)

<i>December 31, 2024</i>	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 116,229	\$ -	\$ -	\$ 116,229
Construction in progress		603,221	(382,384)	220,837
Capital assets, not being depreciated	116,229	603,221	(382,384)	337,066
Capital assets, being depreciated:				
Structures and Improvements	3,278,494	386,066	-	3,664,560
Distribution reservoirs and standpipes	3,233,074	-	-	3,233,074
Transmission and distribution mains	15,214,587	21,890	-	15,236,477
Meters and installations	2,486,788	75,956	-	2,562,744
Hydrants	9,900	-	-	9,900
Miscellaneous equipment	210,734	111,816	(65,216)	257,334
Office equipment	94,654	1,100	-	95,754
Communication equipment	2,875	-	-	2,875
Capital assets, being depreciated	24,531,106	596,828	(65,216)	25,062,718
Less accumulated depreciation for:		-	-	-
Structures and improvements	(390,391)	(88,766)	-	(479,157)
Distribution reservoirs and standpipes	(1,731,507)	(91,978)	-	(1,823,485)
Transmission and distribution mains	(7,596,542)	(350,710)	-	(7,947,252)
Meters and installations	(1,719,521)	(65,283)	-	(1,784,804)
Hydrants	(8,911)	(248)	-	(9,159)
Miscellaneous equipment	(141,231)	(26,145)	23,913	(143,463)
Office equipment	(68,425)	(7,236)	-	(75,661)
Communication equipment	(2,811)	(60)	-	(2,871)
Total accumulated depreciation	(11,659,339)	(630,426)	23,913	(12,265,852)
Total capital assets being depreciated, net	12,871,767	(33,598)	(41,303)	12,796,866
Utility plant, net	\$ 12,987,996	\$ 569,623	\$ (423,687)	\$ 13,133,932

Todd County Water District
Notes to Financial Statements

NOTE 5: LONG-TERM DEBT

Long-term debt consists of the following:

<i>December 31,</i>	2025	2024
Revenue bonds, payable in annual principal installments, plus interest at 3.00%, maturing in January 2052	\$ 798,500	\$ 818,000
Revenue bonds, payable in annual principal installments, plus interest at 1.50%, maturing in January 2060	2,777,000	2,837,000
Revenue bonds, payable in annual principal installments, plus interest at 1.50%, maturing in January 2060	2,905,000	2,968,000
Revenue bonds, payable in annual principal installments, plus interest of varying rates between 2% and 5%, maturing in January 2042	2,025,000	2,115,000
Revenue bonds, payable in annual principal installments, plus interest of varying rates between 3.20% and 5.20%, maturing in July 2032	680,000	795,000
Total long term debt	9,185,500	9,533,000
Less: current portion	(360,000)	(347,500)
Long term debt, less current portion	\$ 8,825,500	\$ 9,185,500

On October 19, 2021, the District issued \$1,085,000 in General Obligation Bonds with an average interest rate of 3.20 percent to refund \$1,265,000 of outstanding 2012 Series bonds with an interest rate of 3.55 percent. The net proceeds of \$1,225,159 (after payment of \$40,485 in underwriting fees, insurance, and other issuance costs and plus net premium of \$180,644) plus an additional \$49,121 of 2012 Series sinking fund monies were used to refund the 2012 Series bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$18,857. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2032 using the effective-interest method. The District completed the refunding to reduce its total debt service payments over the next 11 years by \$147,188 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$126,762.

Todd County Water District
Notes to Financial Statements

NOTE 5: LONG-TERM DEBT (CONTINUED)

Activity in long-term debt is as follows:

December 31, 2025

	Beginning of Year	Increases	Decreases	End of Year	Amounts Due Within One Year
Revenue bonds	\$ 9,533,000	\$ -	\$ 347,500	\$ 9,185,500	\$ 360,000
	\$ 9,533,000	\$ -	\$ 347,500	\$ 9,185,500	\$ 360,000

December 31, 2024

	Beginning of Year	Increases	Decreases	End of Year	Amounts Due Within One Year
Revenue bonds	\$ 9,867,500	\$ -	\$ 334,500	\$ 9,533,000	\$ 347,500
	\$ 9,867,500	\$ -	\$ 334,500	\$ 9,533,000	\$ 347,500

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

Year	Principal	Interest	Total Debt Service
2026	\$ 360,000	\$ 188,564	\$ 548,564
2027	377,500	174,951	552,451
2028	350,500	160,516	511,016
2029	363,000	149,249	512,249
2030-2034	1,621,000	617,794	2,238,794
2035-2039	1,507,500	468,691	1,976,191
2040-2044	1,364,500	321,626	1,686,126
2045-2049	1,048,500	218,475	1,266,975
2050-2054	1,006,000	126,525	1,132,525
2055-2059	990,000	52,350	1,042,350
2060	197,000	1,478	198,478
	\$ 9,185,500	\$ 2,480,219	\$ 11,665,719

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$10,184,500 in water system Revenue Bonds Series 2011, 2020, and 2021. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely

Todd County Water District Notes to Financial Statements

NOTE 5: LONG-TERM DEBT (CONTINUED)

from water customer net revenues and are payable through 2060. The total principal and interest remaining to be paid on the bonds is \$11,665,719. Principal and interest paid for the current year and total customer net revenues were \$549,121 and \$3,330,057 respectively. Principal and interest paid and total customer net revenues for the year ended December 31, 2024 were \$548,616 and \$3,188,050, respectively.

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

NOTE 6: NET INVESTMENT IN CAPITAL ASSETS

The elements of this calculation are as follows:

December 31,	2025	2024
Utility Plant (net)	\$ 13,114,911	\$ 13,133,932
Outstanding debt related to capital assets, net deferred outflows and unspent proceeds	(8,892,055)	(9,224,234)
Net investment in capital assets	\$ 4,222,856	\$ 3,909,698

NOTE 7: COMMITMENTS AND CONTINGENCIES

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.

NOTE 8: MAJOR SUPPLIER

The District has entered into a water purchase contract with the Logan/Todd Regional Water Commission, whereas the contract requires the Commission to provide water to the District and the rates the District will be charged for the expected water usage are defined therein. The contract will extend for a term of 50 years beginning January 1, 2003. The agreement may be renewed or extended for such term or terms as may be agreed upon by the Commission and the District.

Under terms of the agreement, the District may not produce or resell water to any other water system or water seller, nor may the District add any customer to its system that would increase average daily water demand or peak water demand within the District by over 25% without prior written approval from the Commission. The agreement was originally signed to begin from the earlier date of initial availability of water for delivery by the Commission or January 1, 2003. The District began purchasing

NOTE 8: MAJOR SUPPLIER (CONTINUED)

water from the Commission in March 2003; therefore, the Commission is the sole provider of water to the District. The agreement does require the District to purchase minimum levels of water from the Commission. If minimum levels are not met, the Commission may charge the District for the shortages. At December 31, 2025 and 2024 minimum levels have been met.

NOTE 9: EMPLOYEES' RETIREMENT PLANS

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan Description

CERS was established by KRS 78.520 to provide retirement, disability, and death benefits to system members, and CERS is a blended component unit of the Commonwealth of Kentucky, and therefore, is included in the Commonwealth's financial statements. The District contributes to the CERS Non-Hazardous pension plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time employees employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS.

The responsibility of the plans within CERS is vested in the CERS Board of Trustees. The CERS Board of Trustees consists of nine members. Six trustees are appointed by the governor and three are elected by CERS members (active, inactive, and/or retired). CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided to retirees annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were to be limited to 1.50%. In 2013, the General Assembly created a new law to govern how COLAs will be granted. Language included stated COLAs will only be granted in the future if the CERS Board determines that assets of the System are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA through employer contributions. No COLA has been granted since July 1, 2011.

Tier 1 - Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts balance as of June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

NOTE 9: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Benefits Provided (Continued)

- Tier 2* - Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 5% of their annual creditable compensation. Further, members also contribute an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts as of June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest, however, the 1% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.
- Tier 3* - Tier 3 plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR 1:420), which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Contributions

Participating employers are required to contribute actuarially determined rates for pension and insurance benefit contributions. The rates are established by the CERS Board based on KRS 78.635. The rates are set each year following the annual actuarial valuation as of July 1 and prior to July of the succeeding fiscal year and are a percentage of each employee's creditable compensation. State statute requires active members to contribute 5% of creditable compensation for nonhazardous members. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 78.635. The actuarially determined rate set by the Board for the fiscal year ended December 31, 2025 and 2024 was 18.62% and 19.71%, respectively.

Todd County Water District Notes to Financial Statements

NOTE 9: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2025, and 2024 the District reported a liability of \$770,305 and \$826,973, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 and June 30, 2023, respectively. The pension liability was rolled forward from the valuation date to the measurement date of June 30, 2025 and June 30, 2024. The District's proportion of the net pension liability was based on the District's share of 2025 and 2024 contributions to the pension plan relative to the 2025 and 2024 contributions of all participating employers, actuarially determined. At June 30, 2025 and 2024 the District's proportion was 0.013843% and 0.013828%, respectively.

For the years ended December 31, 2025 and 2024, the District recognized pension expense of \$53,561 and \$53,336, respectively. At December 31, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,537	\$ -	\$ 40,027	\$ -
Net difference between projected and actual investment earnings on pension plan investments	28,428	105,454	56,794	109,964
Change of assumptions	-	-	-	37,363
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	6,045	24,850	12,532
District contributions subsequent to the measurement date	49,628	-	43,572	-
Total	<u>\$ 103,593</u>	<u>\$ 111,499</u>	<u>\$ 165,243</u>	<u>\$ 159,859</u>

The \$49,628 and \$43,572 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2025 and 2025, respectively.

Todd County Water District Notes to Financial Statements

NOTE 9: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

As of December 31, 2025, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2026	\$ 7,780
2027	(27,117)
2028	(25,030)
2029	(13,167)
2030	-
Thereafter	-

2025 Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2025 are based on an actuarial valuation date of June 30, 2024. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2025, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2024. The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30 % to 10.30 %, Varies by service for CERS non-hazardous
Investment Rate of Return	6.50%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

NOTE 9: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

2024 Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 are based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2023. The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30 % to 10.30 %, Varies by service for CERS non-hazardous
Investment Rate of Return	6.50%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Todd County Water District
Notes to Financial Statements

NOTE 9: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Long-Term Expected Rate of Investment

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

2025

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income		
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Expected Real Return	100.00%	4.24%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		6.74%

Todd County Water District Notes to Financial Statements

NOTE 9: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Long-Term Expected Rate of Return (Continued)

2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Bonds	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

2025 and 2024 Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% and 6.50% for 2025 and 2024 respectively for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 27 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

Todd County Water District Notes to Financial Statements

NOTE 9: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

2025:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	\$ 1,018,396	\$ 770,305	\$ 565,625

2024:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	\$ 1,066,103	\$ 826,973	\$ 628,558

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the County Employees Retirement System's (CERS) OPEB Plan

Plan Description

Under the provisions of Kentucky Revised Statutes Sections 61.505, the Kentucky Public Pension Authority oversees the CERS Nonhazardous cost-sharing, multiple-employer OPEB plans that cover all regular full-time members employed in nonhazardous positions of the District. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Board has nine trustees. Three elected by the membership and six appointed by the Governor. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov

Todd County Water District Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits Provided

Department of Employee Insurance (DEI) administers retiree claims for retirees who are non-Medicare eligible. Humana administers retiree claims for members who are Medicare eligible. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

Employers participating in the KRS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the boards is a percentage of each employee's creditable compensation. For the years ended June 30, 2025 and 2024, the required contribution was 0% and 0%, respectively, of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the years ended December 31, 2025 and 2024, were \$0 and \$0, respectively.

Implicit Subsidy

Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB Statement No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2025 and 2024, the District reported a (asset)/liability of \$13,303 and (\$23,944), respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025 and 2024, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 and June 30, 2023, respectively. The OPEB liability was rolled forward from the valuation date to the measurement date of June 30, 2025 and 2024. The District's proportion of the net OPEB liability was based on the District's share of 2025 and 2024 contributions to the OPEB plan relative to the 2025 and 2024 contributions as of all participating employers, respectively, actuarially determined. At June 30, 2025 and 2024, the District's proportion was 0.013851% and 0.013842%, respectively.

Todd County Water District Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the years ended December 31, 2025 and 2024, the District recognized OPEB expense of approximately (\$45,408) and (\$55,771).

At December 31, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025 Deferred Outflows of Resources	Deferred Inflows of Resources	2024 Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 43,146	\$ 114,366	\$ 13,284	\$ 188,391
Net difference between projected and actual investment earnings on OPEB plan investments	10,531	40,658	21,047	42,898
Change of assumptions	8,873	7,617	21,696	16,895
Changes in proportion and differences between employer contributions and proportionate share of contribution	9,256	6,828	16,468	11,080
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 71,806</u>	<u>\$ 169,469</u>	<u>\$ 72,495</u>	<u>\$ 259,264</u>

For the years ended December 31, 2025 and 2024, \$0 and \$0, respectively, was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ended December 31, 2025 and 2024, respectively.

Todd County Water District Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	
2026	\$ (54,695)
2027	(45,469)
2028	1,224
2029	1,277
2030	-

2025 Actuarial Assumptions

The total OPEB liability, net OPEB liability (NOL), and sensitivity information as of June 30, 2025 are based on an actuarial valuation date of June 30, 2024. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2025, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2024, which were used to determine the total OPEB liability as follows:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.50%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.80% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Trend Rates (Post-65)	Initial trend starting at 8.50% on January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years
Mortality (Pre-retirement)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 improvement scale using a base year of 2023

Todd County Water District
Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

2025 Actuarial Assumptions (Continued)

Mortality (Post-retirement; non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, disabled) projected with the ultimate rates from MP-2020 improvement scale
Mortality (Post-retirement; disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality

2024 Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2023, which were used to determine the total OPEB liability as follows:

Todd County Water District Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

2024 Actuarial Assumptions (Continued)

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.50%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality (Pre-retirement)	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010
Mortality (Post-retirement; non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Mortality (Post-retirement; disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

Long-Term Expected Investment Return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Todd County Water District Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Investment Return (Continued)

2025

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income		
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Expected Real Return	100.00%	4.24%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		<u>6.74%</u>

2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Bonds	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		<u>7.19%</u>

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

2025 Discount Rate

The Single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 5.20%, as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2025. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contributions is received by each plan each future year, calculated in accordance with the market funding policy.

2024 Discount Rate

Single discount rates of 5.99% for the CERS non-hazardous insurance plan was used to measure the total OPEB liability as of June 30, 2024. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially

Todd County Water District Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

2024 Discount Rate (Continued)

determined employer contribution each future year calculated in accordance with the current funding policy.

2025 Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.26%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.26%) or 1-percentage-point higher (7.26%) than the current rate:

	<u>1% Decrease (5.26%)</u>	<u>Current Discount Rate (6.26%)</u>	<u>1% Increase (7.26%)</u>
District's proportionate share of the collective net OPEB liability	\$ 79,821	\$ 13,303	\$ (42,682)

2024 Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.99%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<u>1% Decrease (4.99%)</u>	<u>Current Discount Rate (5.99%)</u>	<u>1% Increase (6.99%)</u>
District's proportionate share of the collective net OPEB liability	\$ 32,375	\$ (23,944)	\$ (71,297)

2025 Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

Todd County Water District Notes to Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

2025 Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability	\$ (30,743)	\$ 13,303	\$ 64,865

2024 Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability	\$ (57,606)	\$ (23,944)	\$ 15,270

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, unemployment insurance, errors and omissions, property and general liability coverage, the District participates in the Kentucky Association of Counties (KACo) insurance fund. This public entity risk pool operates as a common risk management and insurance program for political subdivisions in the State of Kentucky. The District, along with other participating entities, contributes annual premiums determined by KACo. The amount of the premium is based on actuarial evaluations, rating plans and other analyses of the amounts necessary for the payment of claims. If, in the opinion of KACo's Board, the assets of the Trust are insufficient to enable the Trust to discharge its legal liabilities and other obligations and to maintain required reserves, the Trust's Board may require certain participating members to contribute supplementary contributions. The District is not aware of any additional assessments payable to the Trust to cover claims. The District's claims are submitted to and paid by KACo.

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

NOTE 11: RISK MANAGEMENT (CONTINUED)

There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions
County Employee Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability - CERS

<i>As of December 31,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.013843%	0.013828%	0.014061%	0.012851%	0.013589%	0.012915%	0.012483%	0.014053%	0.013655%	0.012075%
District's proportionate share of the net pension liability	\$ 770,305	\$ 826,973	\$ 902,224	\$ 929,001	\$ 866,405	\$ 990,568	\$ 877,935	\$ 855,871	\$ 799,269	\$ 594,539
District's covered payroll	\$ 461,097	\$ 434,123	\$ 408,149	\$ 352,395	\$ 347,097	\$ 330,816	\$ 314,873	\$ 348,307	\$ 332,266	\$ 288,056
District's proportionate share of the net pension liability as a percentage of its covered payroll	167.06%	190.49%	221.05%	263.62%	249.61%	299.43%	278.82%	245.72%	240.55%	206.40%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%

Note: The amounts disclosed in the table above were determined as of June 30, which is the measurement date for the plan.

The accompanying notes to required supplementary information are an integral part of this schedule.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions
County Employee Retirement System

Schedule of District's Contribution - CERS

<i>For the Year Ended December 31,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 96,938	\$ 94,562	\$ 99,371	\$ 86,896	\$ 70,340	\$ 66,421	\$ 56,597	\$ 51,145	\$ 48,505	\$ 40,238
Contributions in relation to the contractually required contribution	96,938	94,562	99,371	86,896	70,340	66,421	56,597	51,145	48,505	40,238
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll (1)	506,562	\$ 439,530	\$ 425,215	\$ 376,054	\$ 347,506	\$ 344,640	\$ 318,325	\$ 334,252	\$ 341,178	\$ 303,889
Contributions as a percentage of covered payroll	19.14%	21.51%	23.37%	23.11%	20.24%	19.27%	17.78%	15.30%	14.22%	13.24%

(1) The amount presented was determined as of the calendar year end that accrued within the fiscal year.

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

The accompanying notes to required supplementary information are an integral part of this schedule.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of the District's Contributions
County Employee Retirement System

NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2024: No change in benefit terms.

2023: No change in benefit terms.

2022: No changes in benefit terms.

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

Changes of Assumptions

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2024: No changes in assumptions

2023: During the 2023 legislative session, House Bill 506 was enacted which reinstated the Partial Lump-Sum Optional Form of payment for members who retire on and after January 1, 2024, as well as adjusted the minimum required separation period before a retiree may become reemployed. The total pension liability as of June 30, 2023 was determined with these updates in mind, however it is estimated these updates will not have a significant impact on the total pension liability of the plans.

2022: No changes in assumptions

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of the District's Contributions
County Employee Retirement System

NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Changes of Assumptions (Continued)

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the Non-Hazardous system and the assumed rate of return is 6.25% for the Non-Hazardous system.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of the District's Contributions
County Employee Retirement System

NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Changes of Assumptions (Continued)

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the Non-Hazardous system and the assumed rate of return is 6.25% for the Non-Hazardous system.

2015: No changes in assumptions

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

<i>As of December 31,</i>	2025	2024	2023	2022	2021	2020	2019
District's proportion of the net OPEB liability	0.013851%	0.013828%	0.014061%	0.012849%	0.013586%	0.012911%	0.012480%
District's proportionate share of the net OPEB liability	\$ 13,303	\$ (23,944)	\$ (19,412)	\$ 253,577	\$ 260,097	\$ 311,761	\$ 209,908
District's covered payroll	\$ 461,097	\$ 434,123	\$ 408,149	\$ 352,395	\$ 347,097	\$ 330,816	\$ 314,873
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	2.89%	-5.52%	-4.76%	71.96%	74.93%	94.24%	66.66%
Plan fiduciary net position as a percentage of the total OPEB liability	97.66%	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%

Note: The amounts disclosed in the table above were determined as of June 30, which is the measurement date for the plan.

The accompanying notes to required supplementary information are an integral part of this schedule.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

<i>For the year ended December 31,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ 7,104	\$ 14,132	\$ 18,326	\$ 16,381	\$ 15,938	\$ 16,593
Contributions in relation to the contractually required contribution	-	-	7,104	14,132	18,326	16,381	15,938	16,593
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll (1)	\$ 506,562	\$ 439,530	\$ 425,215	\$ 376,054	\$ 347,506	\$ 344,640	\$ 318,325	\$ 334,252
Contributions as a percentage of covered payroll	0.00%	0.00%	1.67%	3.76%	5.27%	4.75%	5.01%	4.96%

(1) The amount presented was determined as of the calendar year end that accrued within the fiscal year.

The accompanying notes to required supplementary information are an integral part of this schedule.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

Schedule of District Contributions - CERS

<i>For the year ended December 31,</i>	2025	2024	2023	2022	2021	2020	2019
Contractually required contribution	\$ -	\$ -	\$ 7,104	\$ 14,132	\$ 18,326	\$ 16,381	\$ 15,938
Contributions in relation to the contractually required contribution	-	-	7,104	14,132	18,326	16,381	15,938
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll (1)	\$ 506,562	\$ 439,530	\$ 425,215	\$ 376,054	\$ 347,506	\$ 344,640	\$ 318,325
Contributions as a percentage of covered payroll	0.00%	0.00%	1.67%	3.76%	5.27%	4.75%	5.01%

The accompanying notes to required supplementary information are an integral part of this schedule.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

Changes of Benefit Terms

2024: No changes of benefit terms

2023: No changes of benefit terms

2022: No changes of benefit terms

2021: No changes of benefit terms

2020: No changes of benefit terms

2019: No changes of benefit terms.

2018: No changes of benefit terms (other than the blended discount rate used to calculate the total OPEB liability).

Changes of Assumptions

2024: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year.

2023: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 9 of the financial statements. During the 2023 legislative session, House Bill 506 was enacted which reinstated the Partial Lump-Sum Optional Form of payment for members who retire on and after January 1, 2024, as well as adjusted the minimum required separation period before a retiree may become reemployed. The total pension liability as of June 30, 2023 was determined with these updates in mind, however it is estimated these updates will not have a significant impact on the total pension liability of the plans.

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Changes of Assumptions (Continued)

2022: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 9 of the financial statements. During the 2022 legislative session, Senate Bill 209 was enacted which increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022 is determined using these updated benefit provisions.

2021: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 9 of the financial statements. During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total OPEB liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

Todd County Water District Summary Schedule of Prior Audit Findings



Todd County Water District
Summary Schedule of Prior Audit Findings
Year ended December 31, 2024

2024-001 General Ledger Maintenance

Condition: During our audit procedures, we noted instances in which the general ledger was not being maintained appropriately, leading to material audit adjustments in the areas of accounts receivable, accounts payable, revenues, and expenses and significant audit adjustments in the area of inventory.

Recommendation: We recommend procedures be enhanced and/or implemented that include a monitoring of year-end reconciliations of accounts receivable and accounts payable subsidiary ledgers. We further recommend procedures be enhanced over inventory and the year-end close.

Current Status: Inventory stock is adjusted and reviewed monthly. Inventory current prices are review quarterly. An annual check list has been created to ensure regular year end adjustments are entered at the end of the year, and reversed, if appropriate, at the beginning of the year.



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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*

Commissioners
Todd County Water District
Elkton, 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 Todd County Water District (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 26, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

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