

TRIMBLE COUNTY WATER DISTRICT #1

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

At December 31, 2024 and 2023

**TRIMBLE COUNTY WATER DISTRICT #1
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Trimble County Water District #1
Bedford, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Trimble County Water District #1 as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Trimble County Water District #1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trimble County Water District #1, as of December 31, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trimble County Water District #1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trimble County Water District #1'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.

**Commissioners of the
Trimble County Water District #1
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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trimble County Water District #1'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 Trimble County Water District #1'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 required supplementary information listed in the Table of Contents on pages 23 through 29 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2026, on our consideration of the Trimble County Water District #1'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 Trimble County Water District #1'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 Trimble County Water District #1's internal control over financial reporting and compliance.

Raisa, Zapp & Woods PSC
RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

February 24, 2026

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF NET POSITION
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets:		
Cash	\$ 324,490	\$ 481,728
Accounts Receivable (Net)	107,731	111,509
Other Receivables	10,401	35,631
Inventory	45,327	44,964
Prepaid Expenses	19,285	8,724
Total Current Assets	\$ 507,234	\$ 682,556
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	\$ 373,140	\$ 356,134
Net OPEB Asset	14,217	7,182
Capital Assets (Net)	4,128,498	4,255,348
Total Noncurrent Assets	\$ 4,515,855	\$ 4,618,664
Total Assets	\$ 5,023,089	\$ 5,301,220
DEFERRED OUTFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 213,851	\$ 107,248
Attributable to Employee Benefit Plan	79,920	43,891
Total Deferred Outflows of Resources	\$ 293,771	\$ 151,139
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 10,462	\$ 8,092
Retainage & Construction Payable	4,745	22,242
Accrued Compensated Absences	7,985	14,847
Accrued Salaries, Wages & Benefits	8,021	6,820
Accrued Payroll Taxes/Employee Withholding	35,965	50,056
Utility Tax Payable	2,118	2,588
Sales Tax Payable	1,425	931
Accrued Interest Payable - Note Payable	3,118	3,869
Note Payable - Current Portion	32,241	28,522
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable	46,100	44,400
Total Current Liabilities	\$ 152,180	\$ 182,367
Noncurrent Liabilities:		
Note Payable	\$ 448,284	\$ 483,874
Revenue Bonds Payable	1,952,494	1,998,594
Net Pension Liability	491,053	333,787
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	17,048	37,680
Total Noncurrent Liabilities	\$ 2,908,879	\$ 2,853,935
Total Liabilities	\$ 3,061,059	\$ 3,036,302
DEFERRED INFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 87,482	\$ 72,309
Attributable to Employee Benefit Plan	148,338	132,947
Total Deferred Inflows of Resources	\$ 235,820	\$ 205,256
NET POSITION		
Net Investment in Capital Assets	\$ 1,644,634	\$ 1,722,175
Restricted for Debt Service	313,463	301,820
Unrestricted	61,884	186,806
Total Net Position	\$ 2,019,981	\$ 2,210,801

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues:		
Charges for Services:		
Water Charges (Net of Estimated Bad Debts)	\$ 736,126	\$ 788,716
Bulk Water Charges	2,712	5,150
Sewer Billing Charges	5,196	5,196
Hydrant Rental Charges	2,016	1,008
Total Charges for Services	\$ 746,050	\$ 800,070
Other Charges and Miscellaneous:		
Connect, Reconnect and Disconnect Charges	\$ 21,726	\$ 5,437
Forfeited Discounts	11,981	13,591
Miscellaneous	21,087	1,715
Total Other Charges and Miscellaneous	\$ 54,794	\$ 20,743
Total Operating Revenues	\$ 800,844	\$ 820,813
Operating Expenses:		
Administrative Salaries	\$ 67,073	\$ 64,350
Accounting and Collecting Labor	80,590	48,720
Chemicals	4,813	4,247
Commissioner Fees	18,000	18,000
Contractual Service - Sampling	5,949	10,849
Dues	644	500
Employee Benefits	75,328	29,406
Insurance	21,014	18,370
Maintenance of Mains	57,733	104,851
Miscellaneous	12,300	20,097
Office Supplies and Expense	48,643	35,708
Operating Labor	120,324	104,651
Other Interest Expense	2,096	13,569
Payroll Taxes	23,360	19,934
Professional Services	27,609	24,857
Regulatory Fees	1,282	989
Retirement and OPEB Expense	96,543	20,954
Transportation Expense	12,594	12,983
Utilities	65,559	60,046
Depreciation Expense	227,624	215,268
Total Operating Expenses	\$ 969,078	\$ 828,349
Net Operating Income	\$ (168,234)	\$ (7,536)
Nonoperating Revenue (Expense):		
Investment Income	\$ 13,504	\$ 6,169
Interest Expense	(84,903)	(89,230)
Total Nonoperating Revenues (Expense)	\$ (71,399)	\$ (83,061)
Income (Loss) Before Contributions	\$ (239,633)	\$ (90,597)
Capital Contributions	48,813	344,575
Change in Net Position	\$ (190,820)	\$ 253,978
Net Position - Beginning of Year	2,210,801	1,956,823
Net Position--End of Year	\$ 2,019,981	\$ 2,210,801

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 813,989	\$ 765,051
Payments to Suppliers	(385,478)	(384,678)
Payments to Employees	(346,119)	(233,265)
Net Cash Provided (Used) by Operating Activities	\$ 82,392	\$ 147,108
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	\$ 44,068	\$ 344,575
Purchase of Capital Assets	(118,271)	(504,051)
Principal Paid on Capital Debt	(76,271)	(70,264)
Interest Paid on Capital Debt	(85,654)	(91,049)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (236,128)	\$ (320,789)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (6,046)	\$ (123)
Interest Received	13,504	6,169
Net Cash Provided (Used) by Investing Activities	\$ 7,458	\$ 6,046
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (146,278)	\$ (167,635)
Balances-Beginning of the Year	733,760	901,395
Balances-End of the Year	\$ 587,482	\$ 733,760

	Balances Per December 31, 2024 Statement of Net Position	Balances Per December 31, 2024 Statement of Cash Flows
Cash	\$ 324,490	\$ 324,490
Restricted Cash	262,992	262,992
Restricted Time Deposits	110,148	-
Total Cash and Cash Equivalents, End of Year	\$ 697,630	\$ 587,482
	Balances Per December 31, 2023 Statement of Net Position	Balances Per December 31, 2023 Statement of Cash Flows
Cash	\$ 481,728	\$ 481,728
Restricted Cash	252,032	252,032
Restricted Time Deposits	104,102	-
Total Cash and Cash Equivalents, End of Year	\$ 837,862	\$ 733,760

(Continued)

**TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2024 and 2023**

	2024	2023
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$(168,234)	\$ (7,536)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	227,624	215,268
Pension Expense	65,836	(7,811)
OPEB Expense	(27,673)	(24,923)
Change in Assets and Liabilities:		
Receivables, Net	3,778	(28,998)
Receivables, Other	29,975	(23,884)
Inventories	(363)	363
Prepaid Expenses	(10,561)	(426)
Accounts Payable	2,370	(10,209)
Accrued Expenses	(19,728)	39,576
Customer Meter Deposits Payable	(20,632)	(4,312)
Net Cash Provided by Operating Activities	\$ 82,392	\$ 147,108

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At December 31, 2024, Trimble County Water District #1 reported \$4,745 of construction payables.
At December 31, 2023, Trimble County Water District #1 reported \$22,242 of retainage and construction

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of entity: Trimble County Water District #1 is a rural water company serving approximately 1,500 customers in Trimble County, Kentucky, and is regulated by the Public Service Commission of the Commonwealth of Kentucky. The water district was formed under the laws of the above-mentioned county through its Fiscal Court and began operations in March, 1956.

In evaluating how to define Trimble County Water District #1 for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

A summary of the District's significant accounting policies follows:

Basis of presentation and accounting: As stated in Kentucky Revised Statutes (KRS) 278.015, "any water district shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission." In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted; and unrestricted components.

Revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

The District adheres to the use restrictions established by Bond Agreements when expenses are incurred for which both restricted and unrestricted net position is available. The District has no policy defining which resources (restricted or unrestricted) to use first.

Debt Issuance Costs: Debt issuance costs are expensed as incurred.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment: Property and equipment purchased or constructed is stated at cost. Costs associated with hook-up fees are capitalized as meters, installations and services. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives by type of asset is as follows:

- Structures & Improvements	15-40 years
- Distribution System	33-60 years
- Wells	33 years
- Machinery & Equipment	5-33 years

Inventory: Inventories are stated at latest cost.

Compensated absences: See Note 9 for the District's policy on vacation and sick pay.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commonwealth of Kentucky's County 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.

Post Employment Benefits Other Than Pensions: For purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred outflows of resources and deferred inflows of resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.

Income taxes: Trimble County Water District #1 is not subject to income taxes.

Contributed capital: Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District recognizes capital contributions as revenues, in the statement of revenues, expenses and changes in fund net position. Tap on fees of \$24,300 and \$14,850 were received by the District for the years ended December 31, 2024 and 2023, respectively. \$24,513 was received from Kentucky Department of Transportation for the year ended December 31, 2024 for a water line relocation. \$0 and \$329,725 of KIA Cleaner Water Grant Funds were received for the year ended December 31, 2024 and 2023, respectively. No Build America Bond interest reimbursement was received by the District during the years ended December 31, 2024 and 2023, respectively.

Net position: Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net position not included in the above categories.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows: For the purpose of the Statement of Cash Flows, Trimble County Water District #1 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS

The Bond and Interest Sinking Account was established with the original RECD bond issue. Under the bond resolution which established this account, it was provided that a minimum balance be maintained in this account as security to the bondholders. In order to attain the minimum balance, the monthly transfer to be made into the account for the 2009 and 2010 Bond Issues is as follows:

	one sixth (1/6) of the next semiannual interest payment
+	<u>one twelfth (1/12) of the next annual principal payment</u>
=	monthly transfer

Transfers sufficient to meet the annual obligation outstanding on the issues were made timely during the years ended December 31, 2024 and 2023.

Upon the issuance of the original 1992 Rural Development bonds, a Depreciation Account was established to provide funds for extraordinary repairs and extensions to the system and/or make up any deficiency in the Bond and Interest Sinking Account. After monthly deposits are made into the Bond and Interest Account, monthly transfers are required to be made to the Depreciation Account. Subsequent issues ratified the requirements set forth in the 1992 issue. Under it and subsequent issues, the following transfers were established and continue in effect:

Under the original 1992 issue a monthly transfer of \$315 was required until \$37,800 was accumulated in the account. Under the 2009 issue, an additional monthly transfer of \$570 was required until \$68,400 was accumulated in the account. Under the 2017 issue, an additional monthly transfer of \$435 was required until \$120,600 was accumulated in the amount. At year end the account was properly funded.

NOTE 3 – CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities, including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2024 and 2023, in accordance with the District's policy, \$360,149 and \$354,102 respectively, of the District's deposits were covered by federal depository insurance and \$144,028 and \$174,833 respectively, were collateralized by securities held by the pledging financial institution's agent in the District's name. The District had \$236,767 and \$380,572 of deposits that were exposed to custodial credit risk at December 31, 2024 and December 31, 2023, respectively.

At December 31, 2024 and 2023, the District's deposits were as follows:

December 31, 2024

Type of Deposits	Total Bank Balance	Total Carrying Value
Demand Deposits	\$ -	\$ -
Time/Savings Deposits	740,944	696,721
Total Deposits	<u>\$ 740,944</u>	<u>\$ 696,721</u>

December 31, 2023

Type of Deposits	Total Bank Balance	Total Carrying Value
Demand Deposits	\$ -	\$ -
Time/Savings Deposits	909,507	837,267
Total Deposits	<u>\$ 909,507</u>	<u>\$ 837,267</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 3 – CASH AND INVESTMENTS (Continued)

Reconciliation to Statement of Net Position:

	December 31, 2024	December 31, 2023
Unrestricted Cash	\$ 324,490	\$ 481,728
Restricted Cash, Including Time Deposits	373,140	356,134
Less: Cash on Hand	(909)	(595)
	\$ 696,721	\$ 837,267

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of the following:

	December 31, 2024	December 31, 2023
Cash, Including Time Deposits		
Bond and Interest Sinking Account	\$ 164,727	\$ 158,629
Depreciation Account	151,854	143,191
Customer Deposits	56,559	54,314
Total Restricted Cash, Including Time Deposits	\$ 373,140	\$ 356,134

NOTE 5 – CUSTOMER DEPOSITS/ESCROW

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full). Deposits received from customers are held in an interest-bearing account (which is included in the financial statements as restricted cash). Records are maintained which detail the accrued interest on each customer's deposit based on the current annual rate. Accrued interest is paid annually and when the deposit is refunded.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2024 and 2023, was as follows:

	Balance at January 1, 2024	Additions	Disposals	Balance at December 31, 2024
Land & Land Rights	\$ 23,957	\$ -	\$ -	\$ 23,957
Structures & Improvements	565,455	-	-	565,455
Distribution System	6,626,165	48,813	(5,300)	6,669,678
Wells	144,976	-	-	144,976
Machinery & Equipment	1,433,257	51,961	-	1,485,218
Totals at Historical Cost	\$ 8,793,810	\$ 100,774	\$ (5,300)	\$ 8,889,284
Less: Accumulated Depreciation				
Structures & Improvements	\$ (300,322)	\$ (12,970)	\$ -	\$ (313,292)
Distribution System	(3,014,098)	(169,311)	5,300	(3,178,109)
Wells	(111,934)	(3,874)	-	(115,808)
Machinery & Equipment	(1,112,108)	(41,469)	-	(1,153,577)
Total Accumulated Depreciation	\$ (4,538,462)	\$ (227,624)	\$ 5,300	\$ (4,760,786)
Capital Assets, Net	\$ 4,255,348	\$ (126,850)	\$ -	\$ 4,128,498

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance at January 1, 2023	Additions	Disposals	Balance at December 31, 2023
Land & Land Rights	\$ 23,957	\$ -	\$ -	\$ 23,957
Structures & Improvements	559,455	6,000	-	565,455
Distribution System	6,160,965	465,200	-	6,626,165
Wells	144,976	-	-	144,976
Machinery & Equipment	1,410,435	55,093	32,271	1,433,257
Totals at Historical Cost	<u>\$ 8,299,788</u>	<u>\$ 526,293</u>	<u>\$ 32,271</u>	<u>\$ 8,793,810</u>
Less: Accumulated Depreciation				
Structures & Improvements	\$ (287,553)	\$ (12,769)	\$ -	\$ (300,322)
Distribution System	(2,856,837)	(157,261)	-	(3,014,098)
Wells	(108,060)	(3,874)	-	(111,934)
Machinery & Equipment	(1,103,015)	(41,364)	32,271	(1,112,108)
Total Accumulated Depreciation	<u>\$ (4,355,465)</u>	<u>\$ (215,268)</u>	<u>\$ 32,271</u>	<u>\$ (4,538,462)</u>
Capital Assets, Net	<u>\$ 3,944,323</u>	<u>\$ 311,025</u>	<u>\$ -</u>	<u>\$ 4,255,348</u>

Included under the District's Plant Assets at December 31, 2024 and 2023, was \$1,265,743 and \$1,154,373 of fully depreciated assets, respectively. Land and land rights and construction in process are capital assets not being depreciated.

Depreciation expense aggregated \$227,624 and \$215,268 in 2024 and 2023, respectively.

NOTE 7 – CUSTOMER ACCOUNTS RECEIVABLE

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of \$29,072 and \$28,857 at December 31, 2024 and 2023, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data.

Other receivables consists of \$10,401 and \$5,656 from Kentucky Transportation Cabinet regarding reimbursement on costs for a water line relocation at December 31, 2024 and 2023, respectively. At December 31, 2023 other receivables consists of funds due from Kentucky Infrastructure Authority Cleaner Water Act Grant in the amount of \$29,975.

NOTE 8 – LONG-TERM LIABILITIES

As of December 31, 2024 and 2023, long-term liabilities payable consisted of the following:

Bonds Payable:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
RECD Revenue Bonds of 2009, original issue amount of \$931,000, secured by water revenues. Interest is charged at the rate of 4.25% per annum. Final maturity is July 1, 2047.	\$ 722,000	\$ 740,400
RECD Revenue Bonds of 2010 (Build America Bonds – Direct Payment), original issue amount of \$301,000 secured by water revenues. Interest is charged at the rate of 3.75% per annum. Final maturity is July 1, 2048.	238,500	244,000
RECD Revenue Bonds 2017, original issue amount of \$1,174,000, secured by water revenues. Interest is charged at the rate of 2.375% per annum. Final maturity is July 1, 2057.	<u>1,038,094</u>	<u>1,058,594</u>
Total Bonds Payable	<u>\$ 1,998,594</u>	<u>\$ 2,042,994</u>
Current Portion	\$ 46,100	\$ 44,400
Noncurrent Portion	1,952,494	1,998,594
Total Bonds Payable	<u>\$ 1,998,594</u>	<u>\$ 2,042,994</u>

**TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023**

NOTE 8 – LONG-TERM LIABILITIES (Continued)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Note Payable:		
The Farmers Bank of Milton fixed rate mortgage agreement dated October 31, 2013. Original issue amount of \$804,000. Interest is charged at the rate of 4.05% per annum, secured by a real estate mortgage on properties at 34 East Morgan Drive, Bedford, Kentucky and 610 Highway 421N, Bedford, Kentucky. Annual payments of \$51,738. Final maturity is October 31, 2038.	\$ 480,525	\$ 512,396
Current Portion	\$ 32,241	\$ 28,522
Noncurrent Portion	448,284	483,874
Total Note Payable	\$ 480,525	\$ 512,396

Accrued Compensated Absences:

All Current	\$ 7,985	\$ 14,847
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Direct Placement Debt

Revenue Bonds of 2009 – RECD

At original issue, \$931,000 of RECD bonds were outstanding at the interest rate of 4.25% per annum with maturity dates ranging from 2010-2047. On December 31, 2024, \$722,000 of bonds were outstanding on this issue. On December 31, 2023, \$740,400 bonds were outstanding on this issue.

Revenue Bonds of 2010 – Build America Bonds – RECD U.S. Department of Agriculture

On October 21, 2010, Trimble County Water District #1 issued \$301,000 taxable Waterworks Revenue Bonds, Series 2010 with an interest rate of 3.75%. The proceeds were used to finance the water main stream crossing replacement project. The final payment will be due July 1, 2048. These bonds are taxable Build America Bonds. As such, the District should receive annual federal credit payments toward the debt service of approximately 35% of each interest payment due. The credit will amount to \$94,277 over the life of the issue. On December 31, 2024, \$238,500 of bonds were outstanding on this issue. On December 31, 2023, \$244,000 of bonds were outstanding on this issue.

Revenue Bonds of 2017 – RECD

On January 5, 2018, Trimble County Water District #1 issued \$1,174,000 Waterworks Revenue Bonds, Series 2017 with an interest rate of 2.375%. The proceeds were used to finance the water improvement project. The final payment will be due July 1, 2057. On December 31, 2024, \$1,038,094 of bonds were outstanding for this issue. On December 31, 2023, \$1,058,594 of bonds were outstanding on this issue.

Direct Borrowing Debt

Note Payable – The Farmers Bank of Milton

On October 31, 2013, Trimble County Water District #1 entered into a note payable agreement with The Farmers Bank of Milton at an interest rate of 4.05% to refinance a portion of its then outstanding debt through an advance refunding of the following RECD revenue bond issues outstanding: Series 1992, \$321,320; Series 1997, \$49,400; and Series 2000, \$477,600. The 1992 Series was originally issued at 5.625%. The 1997 Series and 2000 Series were originally issued at 5.00%. As a result of the advance refunding, the District reduced its total debt service requirements by \$114,068, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$83,797. Final maturity on the note is October 31, 2038. The principal balance outstanding at December 31, 2024 was \$480,525. The principal balance outstanding at December 31, 2023 was \$512,396.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the years ended December 31, 2024 and 2023.

<u>December 31, 2024</u>	Balance at			Balance at		Current
	<u>January 1, 2024</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2024</u>	<u>Portion</u>	
Bonds Payable/Direct Placement	\$ 2,042,994	\$ -	\$ 44,400	\$ 1,998,594	\$ 46,100	
Note Payable/Direct Borrowing	512,396	-	31,871	480,525	32,241	
Accrued Compensated Absences	14,847	-	6,862 *	7,985	7,985	
Total Long-Term Liabilities	<u>\$ 2,570,237</u>	<u>\$ -</u>	<u>\$ 83,133</u>	<u>\$ 2,487,104</u>	<u>\$ 86,326</u>	

<u>December 31, 2023</u>	Balance at			Balance at		Current
	<u>January 1, 2023</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2023</u>	<u>Portion</u>	
Bonds Payable/Direct Placement	\$ 2,086,094	\$ -	\$ 43,100	\$ 2,042,994	\$ 44,400	
Note Payable/Direct Borrowing	539,560	-	27,164	512,396	28,522	
Accrued Compensated Absences	5,265	9,582 *	-	14,847	14,847	
Total Long-Term Liabilities	<u>\$ 2,630,919</u>	<u>\$ 9,582</u>	<u>\$ 70,264</u>	<u>\$ 2,570,237</u>	<u>\$ 87,769</u>	

*The change in the compensated absences liability is presented as a net change.

The annual requirements for all long-term debt outstanding at December 31, 2024 are as follows:

<u>Due</u>	<u>Bonds</u>	<u>Bond Interest</u>	<u>Federal Credit Interest Payment</u>	<u>Note Payable</u>	<u>Note Payable Interest</u>	<u>Total Principal & Interest</u>
2025	\$ 46,100	\$ 60,532	\$ 3,130	\$ 32,241	\$ 19,497	\$ 161,500
2026	47,400	59,051	3,052	33,547	18,191	161,241
2027	49,300	57,524	2,973	34,905	16,833	161,535
2028	51,200	55,933	2,888	36,319	15,419	161,759
2029	52,600	54,282	2,796	37,790	13,948	161,416
2030-2034	292,800	244,477	12,508	213,184	45,506	808,475
2035-2039	347,400	193,192	9,648	92,539	10,936	653,715
2040-2044	411,400	131,745	6,136	-	-	549,281
2045-2049	370,300	62,391	1,854	-	-	434,545
2050-2054	199,000	27,752	-	-	-	226,752
2055-2057	131,094	4,815	-	-	-	135,909
	<u>\$ 1,998,594</u>	<u>\$ 951,694</u>	<u>\$ 44,985</u>	<u>\$ 480,525</u>	<u>\$ 140,330</u>	<u>\$ 3,616,128</u>

If there is any default in the payment of the principal of or interest on any of the bonds, then upon the filing of suit by any holder of said bonds, any court having jurisdiction of the action may appoint a receiver to administer the system on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of current expenses, and to apply the revenues in conformity with the bond resolution and the provisions of the statute laws of Kentucky

Upon the occurrence of an event of default, Farmers Bank of Milton shall be entitled to the appointment of a receiver of the System and all receipts therefrom. Farmers Bank of Milton may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the District defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by Farmers Bank of Milton.

There are no unused lines of credit.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 8 – LONG-TERM LIABILITIES (Continued)

The annual requirements for all long-term debt outstanding at December 31, 2023, are as follows:

<u>Due</u>	<u>Bonds</u>	<u>Bond Interest</u>	<u>Federal Credit Interest Payment</u>	<u>Note Payable</u>	<u>Note Payable Interest</u>	<u>Total Principal & Interest</u>
2024	\$ 44,400	\$ 61,955	\$ 3,203	\$ 28,522	\$ 23,216	\$ 161,296
2025	46,100	60,532	3,130	29,677	22,061	161,500
2026	47,400	59,051	3,052	30,879	20,859	161,241
2027	49,300	57,524	3,973	32,130	19,608	161,535
2028	51,200	55,933	2,888	33,431	18,307	161,759
2029-2033	283,100	253,679	13,014	188,594	70,096	808,483
2034-2038	335,400	204,206	10,271	169,163	26,671	745,711
2039-2043	397,500	144,928	6,891	-	-	549,319
2044-2048	421,500	74,962	2,766	-	-	499,228
2049-2053	194,500	32,425	-	-	-	226,925
2054-2057	172,594	8,455	-	-	-	181,049
	<u>\$ 2,042,994</u>	<u>\$ 1,013,650</u>	<u>\$ 49,188</u>	<u>\$ 512,396</u>	<u>\$ 200,818</u>	<u>\$ 3,818,046</u>

NOTE 9 – COMPENSATED ABSENCES

Vacation and sick pay are considered an expense in the year incurred. Vacation leave may be accumulated and carried forward from one calendar year to the next, not to exceed 240 hours. Upon termination, the employee is compensated for any accrued but unused vacation.

Vacation days accumulate as follows:

After completion of 1 year	40 hours
After completion of 3 years	80 hours
After completion of 10 years	120 hours
After completion of 15 years	160 hours

Full time employees accumulate 8 hours of sick leave for each month of service. Sick leave may be accumulated from one year to the next, but are not to exceed twenty-four days in any two-year period. Upon termination of employment, no portion of accrued and unused sick leave is payable. The estimated liabilities include required salary related payments.

At December 31, 2024 and 2023, a liability for accrued compensated absences was recorded in the amount of \$7,985 and \$14,847, respectively.

NOTE 10 – FUND EQUITY- RESTRICTED NET POSITION

Restricted for Debt Service:

RECD Revenue Bonds of 2009, 2010 & 2017

	2024	2023
Cash	\$ 316,581	\$ 301,820
Less: Accrued Interest Payable	(3,118)	-
Total Restricted for Debt Service	\$ 313,463	\$ 301,820

**TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023**

NOTE 10 – FUND EQUITY- RESTRICTED NET POSITION (Continued)

Unrestricted net position was increased/(decreased) by (\$38,163) and \$32,734 for the years ended December 31, 2024 and 2023, respectively, as a result of the transactions recorded by the District to reflect its proportionate share of the County Employees Retirement System's Net Pension Liability and Net OPEB Liability. The accounts affected were as follows:

	<u>2024</u>	<u>2023</u>
Increase (Decrease) in Deferred Outflows of Resources	\$ 142,632	\$ 2,495
(Increase) Decrease in Deferred Inflows of Resources	(30,564)	(94,612)
(Increase) Decrease in Net Pension Liability	(157,266)	20,868
(Increase) Decrease in Net OPEB Liability	7,035	103,983
Net Increase (Decrease) in Unrestricted Net Position	<u>\$ (38,163)</u>	<u>\$ 32,734</u>

NOTE 11 – BAD DEBT EXPENSE

At December 31, 2024 and 2023, water revenue charges have been netted with an estimated bad debt expense of \$215 and \$0, respectively.

NOTE 12 – INTEREST EXPENSE

Interest expense incurred for the years ended December 31, 2024 and 2023 was \$86,999 and \$102,799, respectively.

NOTE 13 – WHOLESALE WATER RATES

Trimble County Water District #1 supplies water for resale to Carrollton Utilities. The wholesale rate charged to Carrollton Utilities is as follows: \$236.40 minimum for the first 50,000 gallons plus an additional \$4.10 per 1,000 gallons over the first 50,000 gallons. These rates became effective June 1, 2017. There is no minimum purchase amount.

NOTE 14 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. and is also subject to the risks associated with employee injury. Each of these risks is covered through the purchase of insurance through the Kentucky Association of Counties and Commercial Insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE 15 – RETIREMENT PLAN

The Trimble County Water District #1 is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended December 31, 2024, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of the annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board.

**TRIMBLE COUNTY WATER DISTRICT #1
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2024 and 2023**

NOTE 15 – RETIREMENT PLAN (Continued)

For the year ended December 31, 2024, participating employers contributed 23.34% through June 30th and 19.71% thereafter, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 16. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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 in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$58,380 for the year ended December 31, 2024, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old and 1 month of service At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 15 – RETIREMENT PLAN (Continued)

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2024, the District reported a liability of \$491,053 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the District's proportion was 0.008211 percent, which was an increase of 0.003009 percent from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the District recognized pension expense of \$124,306. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 23,768	\$ -	\$ 17,279	\$ 907
Change in Assumptions	-	22,186	-	30,592
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	130,741	-	26,601	199
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	33,724	65,296	36,058	40,611
District Contributions Made Subsequent to the NPL Measurement Date	25,618	-	27,310	-
Total	<u><u>\$ 213,851</u></u>	<u><u>\$ 87,482</u></u>	<u><u>\$ 107,248</u></u>	<u><u>\$ 72,309</u></u>

The \$25,618 and \$27,310 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025, and December 31, 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources as of December 31, 2024 will be recognized in pension expense as follows:

Year Ended December 31, 2024	Increase (Decrease) to Pension Expense
2025	\$ 62,635
2026	57,287
2027	(12,137)
2028	(7,034)
	<u><u>\$ 100,751</u></u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 15 – RETIREMENT PLAN (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.50%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 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.

The actuarial assumption used in the June 30, 2024 valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate 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. As of June 30, 2023, the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
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%

Discount Rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 15 – RETIREMENT PLAN (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 percent, 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 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

<u>As of June 30, 2024</u>	<u>1% Decrease [5.50%]</u>	<u>Current Discount [6.50%]</u>	<u>1% Increase [7.50%]</u>
Net Pension Liability	\$ 7,709,743,392	\$ 5,980,423,768	\$ 4,545,544,166
District's Proportionate Share	633,047	491,053	373,235

Payable to the Pension Plan - The District reported a payable of \$28,645, as of December 31, 2024, for the outstanding amount of contributions required to the pension plan required for the year then ended. The District is working to correct previously filed retirement reports. The retirement expense has been accrued properly but has not yet been paid. The reported payable includes the current year payable of \$5,015 as well as \$23,630 from previous years. The payable includes both the pension and insurance contribution allocation.

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 15 the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 15, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2024, the employer's contribution was 0.00% through June 30th and 0.00% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended December 31, 2024, the District contributed \$0, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance Eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance Eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually

**TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023**

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Tier 2	Participation date Insurance Eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance Eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2024, the District reported an asset for its proportionate share of the net OPEB asset of \$14,217. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2024 was 0.008219 percent, which was an increase of 0.003017 percent from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the District recognized OPEB expense of \$(27,673). At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 7,888	\$ 111,862	\$ 5,007	\$ 101,980
Change in Assumptions	12,883	10,032	14,134	9,850
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	46,652	973	11,309	6,009
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	12,497	25,471	13,441	15,108
District Contributions Made Subsequent to the Net OPEB Measurement Date	-	-	-	-
Total	<u>\$ 79,920</u>	<u>\$ 148,338</u>	<u>\$ 43,891</u>	<u>\$ 132,947</u>

There were no deferred outflows of resources resulting from the District's OPEB contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2025 and December 31, 2024, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year Ended December 31, 2024	<u>Increase (Decrease) to OPEB Expense</u>
2025	\$ (32,612)
2026	(21,622)
2027	(19,405)
2028	5,221
	<u>\$ (68,418)</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service
Investment rate or return	6.50%, net of Plan investment expense, including inflation
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.
Post – 65	Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 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.

The actuarial assumption used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate 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 following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
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%

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2024 and 2023

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate – The discount rate used to measure the total OPEB asset as of June 30, 2024, was 5.99% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2024, the discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20–Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability/Asset to Changes in the Discount Rate – The following presents the District’s proportionate share of the net OPEB liability/asset calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate:

As of June 30, 2024	1% Decrease [4.99%]	Current Discount [5.99%]	1% Increase [6.99%]
Net OPEB Liability/(Asset)	\$ 233,888,666	\$ (172,980,142)	\$ (515,076,197)
District's Proportionate Share	19,223	(14,217)	(42,334)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability/Asset to Changes in the Healthcare Cost Trend Rate – The following presents the District’s proportionate share of the net OPEB liability/asset calculated using healthcare cost trend rates that are 1-percentage-point lower or 1- percentage-point higher than the current healthcare cost trend rates:

As of June 30, 2024	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability/(Asset)	\$ (416,169,306)	\$ (172,980,142)	\$ 110,317,972
District's Proportionate Share	(34,205)	(14,217)	9,067

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

NOTE 17 – SUBSEQUENT EVENTS

Management has considered subsequent events through the date of this report February 24, 2026 for disclosure. No events were identified that would have impacted the financial statements for the year ended December 31, 2024.

TRIMBLE COUNTY WATER DISTRICT # 1
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 For the Years Ended December 31

Reporting Year End (Measurement Date)	2024 (June 30, 2024)	2023 (June 30, 2023)	2022 (June 30, 2022)	2021 (June 30, 2021)	2020 (June 30, 2020)	2019 (June 30, 2019)	2018 (June 30, 2018)	2017 (June 30, 2017)	2016 (June 30, 2016)	2015 (June 30, 2015)
District's proportion of the net pension liability %	0.008211%	0.005202%	0.004906%	0.004308%	0.004446%	0.004707%	0.005237%	0.007655%	0.007200%	0.001961%
District's proportionate share of the net pension liability (asset)	\$ 491,053	\$ 333,787	\$ 354,655	\$ 274,669	\$ 341,005	\$ 331,045	\$ 318,949	\$ 448,071	\$ 354,495	\$ 84,334
District's covered employee payroll (calendar year)	\$ 270,726	\$ 210,802	\$ 159,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
District's proportionate share of the net pension liability (asset) as a percentage of its of its covered employee payroll	181.36%	158.34%	221.70%	191.99%	262.56%	274.28%	244.68%	231.19%	202.45%	178.79%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.3%	55.5%	59.97%

TRIMBLE COUNTY WATER DISTRICT # 1
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PENSION)
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 For the Years Ended December 31

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contributions	\$ 58,469	\$ 49,254	\$ 37,545	\$ 29,113	\$ 21,330	\$ 19,915	\$ 20,135	\$ 21,422	\$ 23,903	\$ 16,928
Contributions in relation to the contractually required contributions	58,469	49,254	37,545	29,113	21,330	19,915	20,135	21,422	23,903	16,928
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll (calendar year)	\$ 270,726	\$ 210,802	\$ 159,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
Contributions as a percentage of covered payroll	21.60%	23.37%	23.47%	20.27%	19.30%	17.19%	15.36%	14.04%	13.52%	13.01%

See accompanying notes to the required supplementary information and notes to the basic financial statements.

TRIMBLE COUNTY WATER DISTRICT # 1
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 For the Years Ended December 31

Reporting Year End (Measurement Date)	2024 (June 30, 2024)	2023 (June 30, 2023)	2022 (June 30, 2022)	2021 (June 30, 2021)	2020 (June 30, 2020)	2019 (June 30, 2019)	2018 (June 30, 2018)	2017 (June 30, 2017)
District's proportion of the net OPEB liability (asset) %	0.008219%	0.005202%	0.004905%	0.004307%	0.004444%	0.004707%	0.005237%	0.007655%
District's proportionate share of the net OPEB liability (asset)	\$ (14,217)	\$ (7,182)	\$ 96,801	\$ 82,455	\$ 107,309	\$ 79,153	\$ 92,982	\$ 153,892
District's covered employee payroll (Calendar Year)	\$ 270,726	\$ 210,802	\$ 159,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.25%	-3.41%	60.51%	57.64%	92.08%	65.58%	71.33%	79.40%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

Notes: The above schedule will present 10 years of historical data, once such data is available.

TRIMBLE COUNTY WATER DISTRICT # 1
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (OPEB)
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 For the Years Ended December 31

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contributions	\$ -	\$ 2,974	\$ 5,439	\$ 7,640	\$ 7,110	\$ 6,638	\$ 6,711	\$ 7,140	\$ 7,967	\$ 5,643
Contributions in relation to the contractually required contributions	-	2,974	5,439	7,640	7,110	6,638	6,711	7,140	7,967	5,643
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll (calendar year)	\$ 270,726	\$ 210,802	\$ 159,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
Contributions as a percentage of covered payroll	0.00%	1.41%	3.40%	5.29%	4.76%	5.57%	4.98%	4.76%	4.39%	4.33%

**TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024 AND 2023**

1. General Information

Contributions

Contractually required employer contributions reported on the Schedule of the District's Contributions (Pension) – County Employees Retirement System, exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of the District's Contributions (OPEB) – County Employees Retirement System.

Payroll

The District's covered payroll reported on the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Proportionate Share of the Net OPEB Liability is for the District's calendar year and differs from the CERS fiscal year.

2. Changes in Assumptions

December 31, 2024 – Pension and OPEB

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.
- The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan.

December 31, 2023 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- Pre-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of valuation and were incorporated into the liability measurement.

December 31, 2022 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- Pre-65 initial healthcare trend rate starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of valuation and were incorporated into the liability measurement. Additionally, "Not to Exceed" 2022 Medicare premiums were provided, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

December 31, 2021 – Pension & OPEB

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become totally and permanently disabled in the line of duty or because of a duty related disability.

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- Salary Increases of 3.30% to 10.30%, varies by service

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2024 and 2023

2. Changes in Assumptions (Continued)

December 31, 2021 – Pension & OPEB (Continued)

- System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
- Pre-65 initial healthcare trend rate starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of valuation and were incorporated into the liability measurement.

December 31, 2020 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- Pre-65 initial healthcare trend rate starting at 7.0% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of valuation and were incorporated into the liability measurement.

December 31, 2019 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for OPEB:

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.30%
- Salary Increases of 3.30% to 11.55%
- Pre-65 initial healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- Post-65 initial healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

December 31, 2018 – Pension & OPEB

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 following assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for OPEB:

- Payroll Growth Rate 4.0%
- Investment Rate of Return 7.50%
- Inflation 3.25%
- Salary Increases 4.0%, average
- Mortality: RP-2000 Combined Mortality Table, Projected to 2013 with Scale BB (set back 1 year for females)
- Pre-65 initial healthcare trend rate starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
- Post-65 initial healthcare trend rate starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2024 and 2023

2. Changes in Assumptions (Continued)

December 31, 2017 – Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.3%

December 31, 2016 – Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016.

December 31, 2015 – Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- Investment Rate of Return 7.50%
- Inflation 3.25%
- Wage Inflation 0.75%
- Salary Increases 4.0%
- Mortality:
 - Active Members: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
 - Healthy Retired Members & Beneficiaries: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (set back 1 year for females).
 - Disabled Members: RP-2000 Combined Disability Mortality Table, projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

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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

To the Commissioners of the
Trimble County Water District #1
Bedford, 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 Trimble County Water District #1 as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Trimble County Water District #1's basic financial statements, and have issued our report thereon dated February 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trimble County Water District #1'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 Trimble County Water District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Trimble County Water District #1'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trimble County Water District #1'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2024-003.

Trimble County Water District #1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Trimble County Water District #1's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Trimble County Water District #1's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Raisa, Zapp & Woods PSC

RAISOR, ZAPP, & WOODS P.S.C
Certified Public Accountants
Carrollton, Kentucky

February 24, 2026

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2024**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Trimble County Water District #1 were prepared in accordance with GAAP.
2. Two material weaknesses disclosed during the audit of the financial statements are reported in the 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*. Items 2024-001 and 2024-002 were reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of Trimble County Water District #1, which would be required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit. It is identified in the Schedule of Findings and Responses as Item 2024-003.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2024-001 SIZE OF ENTITY, CROSS-TRAINING AND CHECKING PROCEDURES

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and allow timely preparation of financial data consistent with management assertions.

CONDITION:

Due to the size of the entity, cross-training and checking procedures are not in place for certain administrative functions. Reconciliation of the general ledger to subsidiary ledgers was not performed consistently. This limits internal control. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2023 as Item 2023-001.

CAUSE:

Responsibilities associated with individual positions limit the availability of individuals to rotate duties and implement checking procedures.

EFFECT:

This limitation may affect the ability to timely record, process, summarize and report financial data.

RECOMMENDATION:

Management should strive to provide cross-training for administrative staff and implement checking processes.

IEWS of RESPONSIBLE OFFICIALS and PLANNED CORRECTIVE ACTIONS:

We concur with the recommendation. Management and staff have implemented additional procedures and will continue to implement additional procedures and processes to properly record and report transactions within the District. The staff size of the District will continue to limit segregation of duties and cross-training.

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
December 31, 2024**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

2024-002 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

CONDITION:

District financial statements, including the required disclosures, are prepared as part of the annual audit. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2023 as Item 2023-002.

CAUSE:

The draft financial statements and disclosures are prepared during the audit process.

EFFECT:

Management engaged the auditor's assistance to prepare the draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

RECOMMENDATION:

District management should continue to enhance its knowledge of reporting requirements in providing oversight of this service.

VIEWS of RESPONSIBLE OFFICIALS and PLANNED CORRECTIVE ACTIONS:

The outsourcing of this service is a result of management's cost benefit decision to avoid incurring internal resource costs. We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities. We are aware of our responsibilities for the financial statements. We have reviewed and accepted the financial statements as presented.

COMPLIANCE AND OTHER MATTERS

2024-003 FAILURE TO SECURE PUBLIC FUNDS AS REQUIRED UNDER KRS 66.480

CRITERIA:

KRS 66.480 requires a Depository to pledge securities to protect public funds except direct federal obligations and funds protected by FDIC insurance.

CONDITION:

The District had \$236,767 in deposits at December 31, 2024 that were not covered by FDIC insurance for which assets had not been pledged and considered at risk. This condition was also cited as a compliance issue in the schedule of findings and responses for the year ended December 31, 2023 as Item 2023-003 with \$380,572 at risk.

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
December 31, 2024**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

COMPLIANCE AND OTHER MATTERS

2024-003 FAILURE TO SECURE PUBLIC FUNDS AS REQUIRED UNDER KRS 66.480 (CONTINUED)

CAUSE:

The District had additional deposits in excess of the FDIC coverage limit and pledged securities during year while pledged securities also decreased at December 31, 2024.

EFFECT:

District funds in the amount of \$236,767 were unsecured at December 31, 2024.

RECOMMENDATION:

The District should review deposit balances and request that its depository pledge securities to secure its funds to comply with KRS 66.480 and to protect itself from custodial credit risk.

VIEWS OF RESPONSIBLE OFFICIALS:

The District will request the Depository to pledge assets to secure the District's funds as required.