TRIMBLE COUNTY WATER DISTRICT #1
AUDIT REPORT
DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

June 17, 2026

To the District Manager and the District Commissioners
Trimble County Water District #1
Bedford, KY

Opinions

We have audited the accompanying financial statements of the Trimble County Water District #1, 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 as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the Trimble County Water District #1, as of December 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Other Matter

The financial statements of Trimble County Water District #1 for the year ended December 31, 2024, were audited by another auditor whose report, dated February 24, 2026, expressed an unmodified opinion on those statements.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the District adopted new accounting guidance, GASB Statement No. 102, *Certain Risk Disclosures.* Our opinion is not modified with respect to this matter.

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 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.

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Trimble County Water District #1's internal controls. 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 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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America required 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 the appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension schedules, and other post-employment benefits (OPEB) schedules on pages 28-34 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 Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated July 17, 2026 on our consideration of Trimble County Water District #1's internal controls over financial reporting and on our tests of 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Trimble County Water District #1's internal controls 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 controls over financial reporting and compliance.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF NET POSITION
DECEMBER 31,

	2025	2024
ASSETS:		
Current Assets:		
Cash & Cash Equivalents	362,424	324,490
Accounts Receivable (Net)	105,957	107,731
Other Receivables	6,183	10,401
Inventory	45,326	45,327
Prepaid Expenses	19,508	19,285
Total Current Assets	539,398	507,234
Noncurrent Assets:		
Restricted Assets		
Cash and CD's	416,929	373,140
Net OPEB Asset		14,217
Capital Assets		
Nondepreciable Capital Assets	23,958	23,957
Depreciable Assets Net of Accumulated Depreciation	3,946,086	4,104,541
Total Noncurrent Assets	4,386,973	4,515,855
TOTAL ASSETS	4,926,371	5,023,089
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	100,561	213,851
Deferred Outflows - OPEB	71,303	79,920
Total Deferred Outflows	171,864	293,771
TOTAL ASSETS DEFERRED OUTFLOWS	5,098,235	5,316,860
LIABILITIES:		
Current Liabilities:		
Accounts Payable	6,301	15,207
Accrued Payroll	7,654	8,021
Compensated Absences	5,153	7,985
Accrued Payroll Taxes and Employee Benefits	20,330	35,965
Utility Tax Payable	2,127	2,118
Sales Tax Payable	1,439	1,425
Customer Deposits Payable	19,824	17,048
Accrued Interest Payable	34,423	3,118
Current Portion Notes Payable	33,547	32,241
Current Portion Bonds Payable	47,400	46,100
Total Current Liabilities	178,198	169,228
Noncurrent Liabilities:		
Noncurrent Portion Notes Payable	414,737	448,284
Noncurrent Portion Bonds Payable	1,906,500	1,952,494
Net Pension Liability	426,693	491,053
Net OPEB Liability	7,369	-
Total Noncurrent Liabilities	2,755,299	2,891,831
TOTAL LIABILITIES	2,933,497	3,061,059
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Advance Refunding of Bonds	23,046	-
Deferred Inflows - Pension	80,710	87,482
Deferred Inflows - OPEB	96,094	148,338
Total Deferred Inflows	199,850	235,820
Net Position:		
Net Investment in Capital Assets	1,567,860	1,644,634
Restricted	416,929	313,463
Unrestricted	(19,901)	61,884
Total Net Position	1,964,888	2,019,981
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	5,098,235	5,316,860

See independent auditor's report and accompanying notes to financial statements.

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
OPERATING REVENUES:		
Water Sales (Net of Estimated Bad Debts)	837,978	738,838
Hydrant Rental Fees	2,016	2,016
Connect, Reconnect and Disconnect Charges	19,981	21,726
Other Revenue	23,517	38,264
TOTAL OPERATING REVENUES	883,492	800,844
OPERATING EXPENSES:		
Salaries & Wages	238,186	267,987
Commisioner Fees	17,400	18,000
Payroll Taxes	20,675	23,360
Employee Benefits	68,340	75,328
Pension and OPEB Expense	68,732	96,543
Chemicals	4,670	4,813
Contractual Services	7,619	5,949
Insurance	36,998	21,014
Distribution Maintenance	30,970	57,733
Office Supplies an Expense	16,629	48,643
Transportation Expense	10,333	12,594
Utilities	76,622	65,559
Computer Expense	19,513	-
Professional Services	4,567	27,609
Depreciation	225,997	227,624
Other Operating Expenses	9,409	16,322
TOTAL OPERATING EXPENSES	856,660	969,078
OPERATING INCOME(LOSS)	26,832	(168,234)
NONOPERATING REVENUES(EXPENSES):		
Interest Income	6,381	13,504
Other Nonoperating Revenue	222	-
Amortization Deferred Inflows - Bond Defeasance	1,773	-
Loss on Disposition of Assets	(20,777)	-
Interest Expense	(82,328)	(84,903)
TOTAL NONOPERATING REVENUE(EXPENSES)	(94,729)	(71,399)
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(67,897)	(239,633)
CAPITAL CONTRIBUTIONS		
Grants	-	24,478
Tap Fees	28,340	24,335
TOTAL CAPITAL CONTRIBUTIONS	28,340	48,813
CHANGE IN NET POSITION	(39,557)	(190,820)
TOTAL NET POSITION - BEGINNING - 2025 Restated - Note 13	2,004,445	2,210,801
TOTAL NET POSITION - ENDING	1,964,888	2,019,981

See independent auditor's report and accompanying notes to financial statements.

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	887,515	813,989
Payments to suppliers	(81,190)	(385,478)
Payments for employee services and benefits	(385,793)	(346,119)
Payments for contract services and other activities	(157,900)	-
Net Cash Provided (Used) by Operating Activities	262,632	82,392
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other Non-Operating Revenue	222	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	222	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on capital debt	(76,935)	(76,271)
Interest paid on capital debt	(83,165)	(85,654)
Purchase of capital assets	(90,089)	(118,271)
Other capital contributions	28,340	44,068
Net Cash Provided (Used) by Capital and Related Financing Activities	(221,849)	(236,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest Income	6,381	13,504
Net Cash Provided (Used) by Investing Activities	6,381	13,504
Net Increase (Decrease) in Cash and Cash Equivalents	47,386	(140,232)
Balances, Beginning of Year - 2025 as Restated	731,967	837,862
Balances, End of Year	779,353	697,630
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	26,832	(168,234)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	225,997	227,624
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:		
Net Pension Activities (Liability/Inflows/Outflows)	42,158	65,836
Net OPEB Activities (Liability/Inflows/Outflows)	(22,041)	(27,673)
Prepaid Expenses	(223)	(10,561)
Payroll Liabilities	(9,977)	
Receivables	1,247	33,753
Inventories	1	(363)
Accrued Expenses		(40,360)
Customer Deposits Payable	2,776	
Accounts Payable	(4,138)	2,370
Net Cash Provided (Used) by Operating Activities	262,632	82,392
Components of Cash on the Statement of Net Position		
Unresricted Cash	362,424	324,490
Restricted Cash and Cash Equivalents	416,929	373,140
	779,353	697,630
Noncash Investing, Capital and Financing Activities		
Amortization Deferred Inflows on Advanced Refunding Bonds	1,773	
Net increase (decrease) in Construction Payable	(4,745)	
Net increase (decrease) in Grants Receivable	(4,745)	

See independent auditor's report and accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Reporting Entity

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:

C. 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 by a flow of economic resources measurement focus. The 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, including unbilled receivables. 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 are available. The District has no policy defining which resources (restricted or unrestricted) to use first.

Debt Issuance Costs

Debt issuance costs are expensed when incurred.

Cash, Cash Equivalents and Investments

The District considers all highly liquid investments with remaining maturity of 90 days or less, when purchased, to be cash equivalents. Investments are valued at cost. Short-term investments generally mature and are otherwise available for withdrawal in less than one year.

Accounts Receivable

Receivables include amounts due from customers for water and sewer services. These receivables are due at the time the services are billed. Billing is completed monthly and accounts are considered past due on the twenty first day after the end of each billing period. Accounts receivables are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. On December 31, 2025, the allowance for doubtful accounts totaled $37,286.

Inventory

Inventories are generally used for construction, operation, and maintenance work rather than for resale. Materials and supplies inventory consists principally of spare parts that are recorded when purchased and expensed when used. Inventory is stated at cost. Cost is generally determined on a last-in, first-out basis.

Use of Estimates

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

Capital Assets and Related Depreciation

The utility plant and equipment purchased or constructed have been recorded at cost. Coss associated with hook-up fees are capitalized as meters, installations and services Depreciation is computed using the straight- line method over the estimated useful lives of the related asset. The range f estimated useful lives by asset type is as follows:

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

Long-Term Obligations

Long-term debt and other obligations are reported as district liabilities on the statement of net position. Deferred outflows and inflows on debt refunding are being amortized and charged to expense over the term of the outstanding revenue bonds by use of the straight-line method.

Pension and OPEB

For purposes of measuring the net pension and OPEB liabilities, deferred outflows/inflows of resources and regulatory assets, information about the fiduciary net position of the 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. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms.

Charges for Services

District billings are rendered and recorded monthly based on metered usage.

Capital Contributions

Cash and capital assets are contributed to the District by external parties. The value of property contributed to the District is reported as revenue on the statement of revenue, expenses and changes in net position.

Net Position

Net position is divided into three components:

a. Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

b. Restricted net position - consists of assets that are restricted by the District's creditors (for example, through debt covenants), by granters (federal, state and local) and by other contributors.

c. Unrestricted - all other net position is reported in this category.

Subscription-based Information Technology Arrangements (SBITA)

The District follows Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription- based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to- use subscription asset - an intangible asset - and a corresponding subscription liability for subscription- based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. The District does not have any SBITAs.

Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through July 17, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ending December 31, 2025, have not been evaluated by the District.

Change in Accounting Principle

Effective January 1, 2025 the District adopted Government Accounting Standards Board (GASB) Statement 102, *Certain Risk Disclosures.* GASB 102 provides users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Adoption of the provisions related to GASB 102 did not have a material impact on the District's financial statements.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of 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, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480. The District does not have a formal investment policy but follows Kentucky Revised Statutes for investing funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. To anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

At year-end, the carrying amount of the District's total cash and investments as December 31, 2025, and 2024 was $779,353 and $697.630 respectively. Of the total cash balance, $360,623 and $360,149 respectively were covered by Federal Depository Insurance, $131,343 and $144,028 respectively was covered by collateral held by the pledging bank the remaining $287,387 and $193,453 uncollateralized and exposed to custodial credit risk as December 31, 2025 and 2024, respectively.

Cash and investments at December 31, 2025 and 2024, consisted of the following:

December 31, 2025:	Bank Balance	Book Balance
Bedford Loan & Deposit Bank	678,754	667,649
Edward Jones – Certificate of Deposit	110,620	110,620
Petty Cash	0	1,084
	789,374	779,353

December 31, 2024:	Bank Balance	Book Balance
Bedford Loan & Deposit Bank	631,289	587,066
Edward Jones – Certificate of Deposit	109,655	109,655
Petty Cash	0	909
	740,944	697,630

Restricted Assets

The District includes all sinking fund deposits, funds required for other debt service, and funds related to specific projects or customer accounts to be restricted. On December 31, 2025 and December 31, 2024, the District held restricted cash of $416,929 and $373,140, respectively.

Restricted assets consist of the following:

Cash, Including Time Deposits		December 31, 2025		December 31, 2024
Bond and Interest Sinking Account	$	203,379	$	164,727
Depreciation Account		154,977		151,854
Customer Deposits		58,573		56,559
Total Restricted Cash, Including Time Deposits	$	416,929	$	373,140

3. 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 in each customer's deposit based on the current annual rate. Accrued interest is paid annually and when the deposit is refunded.

4. 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. 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
\+ one twelfth (1/12) of the next annual principal payment
= monthly transfer

Transfers sufficient to meet the annual obligation outstanding on the issues were made timely during the years ended December 31, 2025 and 2024.

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 is accumulated in the account. Under the 2009 issue, an additional monthly transfer of $570 is required until $68,400 is accumulated in the account. Under the 2017 issue, an additional monthly transfer of $435 is required until $120,600 was accumulated in the amount. On December 31, 2025 and 2024 the account was properly funded.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2025, was as follows:

	BEGINNING BALANCE - Restated	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land & Land Rights	23,958			23,958
Depreciable Assets:				
Structures & Improvements	709,273			709,273
Ditribution System	6,669,682	21,001	93,299	6,597,384
Wells	144,977			144,977
Machinery & Equipment	1,341,401	69,088	92,665	1,317,824
TOTAL AT HISTORICAL COST	8,889,291	90,089	185,964	8,793,416
LESS ACCUMULATED DEPRECIATION FOR:				
Structures & Improvements	401,070	14,629		415,699
Ditribution System	3,178,109	164,340	72,522	3,269,927
Wells	115,808	3,874		119,682
Machinery & Equipment	1,067,575	43,154	92,665	1,018,064
TOTAL ACCUMULATED DEPRECIATION	4,762,562	225,997	165,187	4,823,372

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Capital asset activity for the fiscal year ended December 31, 2024, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land & Land Rights	23,957			23,957
Depreciable Assets:				
Structures & Improvements	565,455			565,455
Ditribution 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
TOTAL AT HISTORICAL COST	8,793,810	100,774	5,300	8,889,284
LESS ACCUMULATED DEPRECIATION FOR:				
Structures & Improvements	300,322	12,970		313,292
Ditribution 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

6. LONG-TERM OBLIGATIONS

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, 2025 and 2024, $702,900 and $722,000 respectively, of 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 201O with an interest rate of 3.75%. The proceeds were used to finance the water mainstream 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, 2025, and 2024, $232,500 and $238,500, respectively, 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, 2025, and December 31, 2024, $1,018,500 and $1,038,094, respectively, of bonds were outstanding for 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 deferred inflow (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 on December 31, 2025 and December 31, 2024 was $448,284 and $480,525, respectively.

The annual requirements for all long-term debt outstanding at December 31, 2025 are as follows:

Due	Bonds	Bond Interest	Federal Credit Interest Payment	Note Payable	Note Payable Interest	Total Principal & Interest
2026	47,400	62,103	3,052	33,547	18,191	158,189
2027	49,300	60,498	2,973	34,905	16,833	158,562
2028	51,200	58,821	2,888	36,319	15,419	158,871
2029	52,600	57,078	2,796	37,790	13,948	158,620
2030	54,600	55,281	2,704	39,320	12,418	158,915
2031-2035	305,700	246,926	11,983	221,818	36,872	796,333
2036-2040	359,600	190,765	8,998	44,585	7,153	593,104
2041-2045	425,700	123,422	5,349			543,773
2046-2050	317,300	52,981	1,112			369,169
2051-2055	203,500	22,972				226,472
2056-2057	90,000	2,173				92,173
	1,953,900	933,019	41,855	448,284	120,833	3,414,181

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable/					
Direct Placement	1,998,594	0	44,694	1,953,900	47,400
Note Payable	480,525	0	32,241	448,284	33,547
Compensated Absences	7,985	0	2,832	5,153	5,153
Net OPEB Liability	0	7,369	0	7,369	0
Net Pension Liability	491,053	0	64,360	426,693	0
Total Long-Term Liabilities:	2,978,157	7,369	144,127	2,841,399	86,100

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable/ Direct Placement	2,042,994	0	44,400	1,998,594	46,100
Note Payable	512,396	0	31,871	480,525	32,241
Compensated Absences	14,847	0	6,862	7,985	7.985
Net Pension Liability	333,787	0	157,266	491,053	0
Total Long-Term Liabilities:	2,904,024	0	240,399	2,978.157	86,326

7. 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.

On December 31, 2025, and 2024 a liability for accrued compensated absences was recorded in the amount of $5,153 and 7,985, respectively.

8. BAD DEBT EXPENSE

On December 31, 2025, and 2024, water revenue charges have been netted with an estimated bad debt expense of $8,214 and $215, Respectively.

9. 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.

10. INSURANCE AND RISK MANAGMENT

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 years.

11. RETIREMENT PLAN

CERS

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 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 (COLA) adjustments are provided at the discretion of state legislature.

Contributions - For the year ended December 31, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for 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 were 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 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. For the year ended December 31, 2025, participating employers contributed 19.71% through June 30, 2025 and 18.62% thereafter, of each employee's wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 12. 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.

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 for non-hazardous jobs. Plan members also contribute 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. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer's contribution.

For the year ended December 31, 2025, the District contributed $47,792 or 100% of the required contribution for non-hazardous job classifications, which was allocated $47,792 to the CERS pension funds and $0 to the CERS insurance fund.

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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	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 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.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - On December 31, 2025, and 2024, the District reported a liability for its proportionate share of the net pension liability as follows:

2025	2024
426,693	491,053

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, and 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. The District's proportionate share on June 30, 2025, was .0076668% which is a decrease of .000543% from June 30, 2024.

For the year ended December 31, 2025, the District recognized pension expense of $89,975. On December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,146	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	15,747	58,414
Changes in proportion and differences between District contributions and proportionate share of contributions	48,219	22,296
District contributions subsequent to the measurement date	22,449	-
Total	$ 100,561	$ 80,710

The $22,449 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2026	41,860
2027	(23,299)
2028	(13,865)
2029	(7,294)
2030	-

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

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,768	$ -
Changes of assumptions	-	22,186
Net difference between projected and actual earnings on pension plan investments	130,741	-
Changes in proportion and differences between District contributions and proportionate share of contributions	33,724	65,296
District contributions subsequent to the measurement date	25,618	-
Total	$ 213,851	$ 87,482

The $25,618 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2025	62,635
2026	57,287
2027	(12,137)
2028	(7,034)
2029	-

Actuarial Assumptions - The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Valuation Date	June 30, 2023
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.5%
Projected salary increases	3.30 to 10.30%, varies by service
Inflation rate	2.50%

Mortality rates were based on the 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 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

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 weighing the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic 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		
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 Protection		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Expected Real Return	100.0%	4.24%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		6.74%

Discount Rate - The discount rate used to measure the total pension liability was 6.5 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 30-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 does not use a municipal bond rate.

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 6.5 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 (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

Non-hazardous

	Discount rate	December 31, 2025 District's proportionate share of net pension liability		December 31, 2024 District's proportionate share of net pension liability	
1% decrease	5.50%	$	564,116	$	633.047
Current discount rate	6.50%	$	426,693	$	491,053
1% increase	7.50%	$	313,315	$	373,234

Payable to the Pension Plan - At December 31, 2025, the District had $20,696 outstanding amount of contributions to the pension plan. This liability represents $908 required for the year ended December 31, 2025, and $19,788 from prior years due to errors in wage and employee withholding reporting to the retirement system.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description - As more fully described in Note 11, Trimble County Water District #1 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 11, plan members contribute to CERS for non- hazardous and hazardous job classifications. For the year ending December 31, 2025, the employer's contribution was 0% 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 were 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 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, 2025, the District contributed $47,792 or 100% of the required contribution for non-hazardous job classifications, which was allocated $47,792 to the CERS pension funds and $0 to the CERS insurance fund.

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
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 –

On December 31, 2025, the District reported a liability for its proportionate share of the net OPEB liability and on December 31, 2024 the District reported an asset for its proportionate share of the net OPEB asset as follows:

	2025		2024
Liability	7,369	Asset	14,217

The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability 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, 2025 for non-hazardous was .007673% which is a decrease of .000546% from the prior year.

For the year ended December 31, 2025, the District recognized OPEB benefit of $22,041. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,901	$ 63,355
Changes of assumptions	4,915	4,220
Net difference between projected and actual earnings on pension plan investments	5,834	22,523
Changes in proportion and differences between District contributions and proportionate share of contributions	32,270	5,996
District contributions subsequent to the measurement date & implicit subsidy	4,383	-
Total	$ 71,303	$ 96,094

The $4,383 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 OPEB liability, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ended June 30:	
2026	(18,463)
2027	(16,534)
2028	6,101
2029	(278)
2030	-

For the year ended December 31, 2024, the District recognized OPEB benefit of $27,673. On December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,888	$ 111,862
Changes of assumptions	12,883	10,032
Net difference between projected and actual earnings on pension plan investments	12,497	25,471
Changes in proportion and differences between District contributions and proportionate share of contributions	46,652	973
District contributions subsequent to the measurement date & implicit subsidy	-	-
Total	$ 79,920	$ 148,338

There were no deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ended June 30:	
2025	(32,612)
2026	(21,622)
2027	(19,405)
2028	5,221
2029	-

Actuarial Assumptions – The total OPEB liability reported at June 30, 2025, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-Hazardous and Hazardous

Valuation Date	June 30, 2023
Investment rate of return	6.50%
Salary Increases	3.30% to 10.30%, varies by service
Inflation	2.50%
Payroll Growth Rate	2.00%
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table
Post-retirement (non-disabled)	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
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

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		
Public Equity	45.00%	5.70%
Private Equity	8.00%	9.70%
Fixed Income		
Core Bonds	13.00%	0.00%
Specialty Credit	20.00%	
Cash	2.00%	-0.60%
Inflation Protection		
Real Estate	5.00%	5.40%
Real Return	7.00%	4.55%
Expected Real Return	100.0%	4.24%
Long Term Inflation Assumption		2.50%
Expeced Nominal Return for Portfolio		6.74%

Discount Rate - The discount rate used to measure the total OPEB liability was 6.26 % 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 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 5.20%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2025. 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 to Changes in the Discount Rate - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate 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 or 1-percentage-point higher than the current rate:

Non-hazardous

	Discount rate	December 31, 2025 District's proportionate share of net OPEB Liability (Asset)	December 31, 2024 District's proportionate share of net OPEB Liability (Asset)
1% decrease	5.26%/4.99%	$ 44,218	$ 19,223
Current discount rate	6.26%/5.99%	$ 7,369	$ (14,217)
1% increase	7.26%/6.99%	$ (23,645)	$ (42,334)

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

	Non-hazardous	
	December 31,2025 District's proportionate share of net OPEB Liability (Asset)	**December 31, 2024 District's proportionate share of net OPEB Liability (Asset)**
1% decrease	$ (17,031)	$ (34,205)
Current discount rate	$ 7,369	$ (14,217)
1% increase	$ 35,933	$ 9,067

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

13. RESTATEMENT OF NET POSITION

The beginning net position was decreased by $15,536, below are the details of the restatement:

Net Position December 31, 2024	$ 2,019,981
Understatement Accrued Interest Payable	(32,142)
Understatement Deferred Inflows on Advanced Bond Refunding	(24,819)
Overstatement of Pension Payables	8,857
Understatement of Cash	34,337
Understatement Accumulated Depreciation	(1,769)
Beginning Net Position, As Restated	$ 2,004,445

REQUIRED SUPPLEMENTARY INFORMATION

TRIMBLE COUNTY WATER DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
FOR THE YEAR ENDED DECEMBER 31

Reporting Year End Measurement Date	December 31, 2016 June 30, 2016	December 31, 2017 June 30, 2017	December 31, 2018 June 30, 2018	December 31, 2019 June 30, 2019	December 31, 2020 June 30, 2020
District's proportion of net pension liability	0.007200%	0.007655%	0.005237%	0.004707%	0.004446%
District's proportionate share of the net pension liability	354,495	448,071	318,949	331,045	341,005
State of Kentucky's share of the net pension liability associated with the District	-	-	-	-	-
TOTAL	354,495	448,071	318,949	331,045	341,005
District's covered-employee payroll	178,144	151,368	132,651	119,371	130,506
District's proportionate share of the net pension liability as a percentage of its covered-payroll	198.99%	296.01%	240.44%	277.32%	261.29%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	55.50%	53.30%	53.55%	50.45%

Reporting Year End Measurement Date	December 31, 2021 June 30, 2021	December 31, 2022 June 30, 2022	December 31, 2023 June 30, 2023	December 31, 2024 June 30, 2024	December 31, 2025 June 30, 2025
District's proportion of net pension liability	0.004308%	0.004906%	0.005202%	0.008211%	0.007668%
District's proportionate share of the net pension liability	274,669	354,655	333,787	491,053	426,693
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-
TOTAL	274,669	354,655	333,787	491,053	426,693
District's covered-employee payroll	143,064	159,970	210,802	270,726	249,145
District's proportionate share of the net pension liability as a percentage of its covered-payroll	191.99%	221.70%	158.34%	181.38%	171.26%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%	57.48%	61.61%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

TRIMBLE COUNTY WATER DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
FOR THE YEAR ENDED DECEMBER 31

Reporting Year End Measurement Date	December 31, 2016 June 30, 2016	December 31, 2017 June 30, 2017	December 31, 2018 June 30, 2018	December 31, 2019 June 30, 2019	December 31, 2020 June 30, 2020
Contractually required contributions (actuarially determined)	$ 23,903	$ 21,422	$ 20,135	$ 19,915	$ 21,330
Contributions in relation to the actuarially determined contributions	23,903	21,422	20,135	19,915	21,330
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 178,144	$ 151,368	$ 132,651	$ 113,371	$ 130,506
Contributions as a percentage of Covered employee payroll	13.52%	14.04%	15.36%	17.19%	19.30%

Reporting Year End Measurement Date	December 31, 2021 June 30, 2021	December 31, 2022 June 30, 2022	December 31, 2023 June 30, 2023	December 31, 2024 June 30, 2024	December 31, 2025 June 30, 2025
Contractually required contributions (actuarially determined)	$ 29,113	$ 37,545	$ 49,254	$ 58,469	$ 47,792
Contributions in relation to the actuarially determined contributions	29,113	37,545	49,254	58,469	47,792
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 143,064	$ 159,970	$ 210,802	$ 270,726	$ 249,145
Contributions as a percentage of Covered employee payroll	20.27%	23.47%	23.37%	21.60%	19.18%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

TRIMBLE COUNTY WATER DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
FOR THE YEAR ENDED DECEMBER 31

Reporting Year End Measurement Date	December 31, 2018 June 30, 2018	December 31, 2019 June 30, 2019	December 31, 2020 June 30, 2020	December 31, 2021 June 30, 2021	December 31, 2021 June 30, 2021
District's proportion of net OPEB liability	0.005237%	0.004707%	0.004444%	0.004307%	0.004905%
District's proportionate share of the net OPEB liability	92,982	79,153	107,309	82,455	96,801
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	92,982	79,153	107,309	82,455	96,801
District's covered-employee payroll	132,651	119,371	130,506	143,064	159,970
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	70.10%	66.31%	82.23%	57.64%	60.51%
Plan fiduciary net position as a percentage of the total OPEB liability	52.62%	60.44%	51.67%	62.91%	60.95%

	December 31, 2023 June 30, 2023	December 31, 2024 June 30, 2024	December 31, 2025 June 30, 2025
District's proportion of net OPEB liability	0.005202%	0.082196%	0.007673%
District's proportionate share of the net OPEB liability	(7,182)	(14,217)	7,369
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-
TOTAL	(7,182)	(14,217)	7,369
District's covered-employee payroll	210,802	270,726	270,726
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	2.72%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	104.89%	97.66%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

TRIMBLE COUNTY WATR DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
COUNTY EMPLOYEES RETIREMENT SYSTEM - NON-HAZARDOUS
FOR THE YEAR ENDED DECEMBER 31

Reporting Year End Measurement Date	December 31, 2018 June 30, 2018	December 31, 2019 June 30, 2019	December 31, 2020 June 30, 2020	December 31, 2021 June 30, 2021	December 31, 2022 June 30, 2022
Contractually required contributions (actuarially determined)	$ 6,711	$ 6,638	$ 7,110	$ 7,640	$ 5,439
Contributions in relation to the actuarially determined contributions	6,711	6,638	7,110	7,640	5,439
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 132,651	$ 119,371	$ 130,506	$ 143,064	$ 159,970
Contributions as a percentage of Covered employee payroll	5.06%	5.56%	5.45%	5.34%	3.40%

	December 31, 2023 June 30, 2023	December 31, 2024 June 30, 2024	December 31, 2025 June 30, 2025
Contractually required contributions (actuarially determined)	$ 2,974	$ -	$ -
Contributions in relation to the actuarially determined contributions	2,974	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 210,802	$ 270,726	$ 270,726
Contributions as a percentage of Covered employee payroll	1.41%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions 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 OPEB Contributions.

Payroll

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

December 31, 2025 – Pensions and OPEB – Nonhazardous

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, 2025, for OPEB:

- The municipal bond rate used in the discount rate determination increased from 3.97% to 5.20%.

December 31, 2024 – Pensions and OPEB – Nonhazardous

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%.

December 31, 2023 – Pensions and OPEB – Nonhazardous

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

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

CHANGES OF ASSUMPTIONS (continued)

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

- The rate of inflation increased from 2.30% to 2.50%
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

December 31, 2022 – Pensions and OPEB – Nonhazardous

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, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

December 31, 2021 – Pensions and OPEB – Nonhazardous

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, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

December 31, 2020 – Pensions and OPEB – Nonhazardous

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, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%..

December 31, 2019 – Pensions and OPEB – Nonhazardous

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

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

CHANGES OF ASSUMPTIONS (continued)

December 31, 2018 – Pensions and OPEB – Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

December 31, 2017 – Pensions and OPEB – Nonhazardous

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

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

December 31, 2016 – Pensions and OPEB – Nonhazardous

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND 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

July 17, 2025

To the District Manager and the District Commissioners
Trimble County Water District #1
Bedford, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trimble County Water District #1, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Trimble County Water District #1's basic financial statements, and have issued our report thereon dated July 17, 2025.

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 opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2025-01 through 2025-02 that we consider significant deficiencies.

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 2025-003.

Trimble County Water District #1's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Trimble County Water District #1's response to the findings identified in our audit and describe in the accompanying schedule of findings. 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 his 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. His 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.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

(A) SUMMARY OF AUDIT RESULTS

- The auditor's report expresses an unmodified opinion on the financial statements of Trimble County Water District #1.
- Significant Deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governmental Auditing Standards.*
- One instance of noncompliance material to the financial statements of Trimble County Water District #1 was disclosed during the audit.

(B) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Internal Control

2025-01 (Recurring) Size of entity, cross-training and checking procedures.

Condition: Due to the size of the entity, cross-training and checking procedures are not in place for certain administrative functions. Reconcilement of the general ledger to subsidiary ledgers was not performed consistently. This limits internal control.

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.

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: We recommend management strive to provide cross-training for administrative staff and implement checking processes.

Management's Response: Management concurs 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.

2025-02 (Recurring) Failure to prepare complete set of financial statements including required note disclosures.

Condition: District financial statements, including the required disclosures, are prepared as part of the annual audit.

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.

Cause: The draft financial statements and required disclosures are prepared during the audit.

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: We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Management's Response: Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes. Management has reviewed and accepts responsibility for the financial statements.

<u>Compliance and Other Matters</u>

2025-03 (Recurring) Failure to secure public funds as required by KRS 66.480

Condition: District had $287,387 in deposits at December 31, 2025 that were not covered by FDIC insurance for which assets had not been pledged by the bank and considered at risk.

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

Cause: The District had additional deposits in excess of the FDIC insurance limits and pledged securities.

Recommendation: The district should review deposit balances and request that the depository pledge securities to secure its funds to comply with KRS 66.480 and protect the District's funds from custodial credit risk.

Management's Response: The District will request the depository to pledge additional assets to secure the District's funds as required.

PRIOR AUDIT FINDINGS

2024-01 Size of entity, cross-training and checking procedures.

Current Year's Status: Recurring 2025-01

2024-02 Failure to prepare complete set of financial statements including required note disclosures.

Current Year's Status: Recurring 2025-02

2024-03 Failure to secure public funds as required by KRS 66.480

Current Year's Status: Recurring 2025-03