BOONE COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

For Years Ending December 31, 2025 and 2024

BOONE COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2025 and 2024

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BOONE COUNTY WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2025 and 2024

Mike Giordano, Chair

Tim Alexander, Jr., Secretary/Treasurer

Charlie Cain

James Parsons

Tom Wiechman

Of Counsel

David Koenig, Esq.

Chamberlin Owen
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Boone County Water District
Burlington, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Boone County Water District (District), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Boone County Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Boone County Water District as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, 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 audits in accordance with accounting standards generally accepted in the United States of America. 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 Boone County Water District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boone County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Boone County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boone County Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2026, on our consideration of the Boone County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Boone County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone County Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
June 10, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2025. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The District saw an increase in net position during 2025. This was primarily due to capital contributions of transmission lines donated to the District by developers, the Kentucky Department of Transportation and the Boone County Fiscal Court.

USING THIS ANNUAL REPORT

The financial statements presented herein include all the activities of the District accounted for within a single proprietary (enterprise) reporting entity. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, notes to the financial statements and a supplemental schedule. These statements show the condition of the District's finances and the sources of income and the funds expended.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2025, 2024, and 2023.

Table 1 - Net Position

	2025	2024	2023
Current assets	$ 18,900,157	$ 18,483,212	$ 22,352,180
Restricted assets	-	-	745
Non Current/ Capital assets, net	131,956,417	126,243,986	114,469,389
Deferred outflows of resources	577,258	534,544	717,571
Total Assets and Deferred Outflows of Resources	151,433,832	145,261,742	137,539,885
Current liabilities	2,313,042	2,292,460	2,152,029
Long-term liabilities	4,153,039	4,216,727	4,710,529
Deferred inflows of resources	976,325	1,380,210	1,705,780
Total Liabilities and Deferred Inflows of Resources	7,442,406	7,889,397	8,568,338
Net Position:			
Net investment in capital assets	130,749,594	124,949,390	113,089,521
Unrestricted	13,241,832	12,422,955	15,882,026
Total Net Position	$ 143,991,426	$ 137,372,345	$ 128,971,547

Net Position (i.e., total assets net of total liabilities) is divided into three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted.

The largest portion of the District's net position (90.8%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

The second category, restricted, represents resources that are subject to restrictions on how they are to be expended. The District has no restricted resources at this time.

The third category, unrestricted, may be used by the District to meet current obligations to creditors.

The District's net position for 2025 increased 4.82% or $6,619,081 as compared to a 6.51% or $8,400,798 increase in the previous year.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues
The District's operating revenues decreased by $283,116 or 1.47%. Water sales decreased slightly in conjunction with an overall increase in the number of bills that were sent out. There was also a .40% increase in forfeited discounts from users who did not pay their bills timely and received a penalty.

Operating Expenses
The District's operating expenses increased $266,640 or 1.23%. These increases are a reflection of inflation in the general economy as a whole in 2025.

- Water Purchased – There was an increase in water costs in the amount of $376,065 or 2.97% over 2024. This was due to Boone-Florence Water Commission passing on increased rates for water purchased.

- Operations & Maintenance Expenses – Operation and maintenance expenses increased by $473,078 or 8.37%. A significant portion of this increase was due to the increase in labor costs as the District continues having difficulty attracting new employees and retaining old employees. The District also experienced increases in the cost of purchased water and repairs to lines due to vendors passing on higher prices.

- Depreciation – Depreciation expense for 2025 and 2024 was $2,853,900 and $3,436,403, respectively. This decrease of $582,503 or 16.95% was the result of the District revising their depreciation schedule to be closer to the methodology utilized by the PSC. The PSC believes that transmission lines should be on a useful life of 62.50 years as compared to the 50 year life that the District was utilizing. The District is preparing to ask for a rate increase and went to the trouble to convert the useful life off all transmission lines to a useful life of 62.50 based on the number of years already in service and the remaining net book value.

Net Effect Of Change In Pension and OPEB
The District is required to report its proportionate share of the estimated unfunded pension and OPEB liability (asset) associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as non-operating income, $419,749, is the result of recognizing the change in the liability (asset) and the related deferred inflows and outflows less any amortization of those inflows and outflows between June 30, 2024 and June 30, 2025. This benefit compares favorably to the benefit gain of $548,203 from the amount reported in 2024. See Note 6 to the financial statements for a more complete explanation of this unfunded liability (asset) and the related deferred inflows and outflows.

Capital Contributions
Capital contributions were $8,584,455, which is a decrease of $1,258,996 during 2025. This is primarily due to the reduction in donations of transmission lines by developers, the Kentucky Department of Transportation and the Boone County Fiscal Court.

Interest and Investment Income

Interest and investment income increased $107,732 in 2025. This portfolio consists of US Treasuries, US Agency debt, Municipal Bonds, Mutual Funds, and Money Market Funds. These investments, unlike certificates of deposit, carry with them the risk of loss. The amount of this unrealized income/(loss), $143,708 and ($11,792) at December 31, 2025 and 2024, respectively, has been included in investment income. Since the District plans to hold these investments to maturity, the management believes that these losses will never be incurred. The District is addressing deficiencies in its investment guidance. See the table below for a breakdown of investment income for 2025 and 2024.

	2025	2024	Increase/Decrease
Interest and dividends	$ 517,564	$ 528,088	$ (10,524)
Realized gains on the sale of investments	1,301	881	420
Accrued income	(7,325)	29,562	(36,887)
Investment fees	(19,982)	(19,205)	(777)
Investment income	491,558	539,326	(47,768)
Unrealized gain/loss on investment	143,708	(11,792)	155,500
Reported interest and investment income/loss	$ 635,266	$ 527,534	$ 107,732

Table 2 provides a summary of the change in the District's net position at December 31, 2025, 2024, and 2023.

Table 2 – Changes in Net Position

	2025	2024	2023
Operating revenues:			
Water sales	$ 18,669,516	$ 18,957,886	$ 17,759,330
Forfeited discounts	278,698	277,588	295,931
Other water revenues	53,286	49,142	40,522
Total operating revenues	19,001,500	19,284,616	18,095,783
Operating expenses:			
Water purchased	13,048,212	12,672,147	11,920,713
Operation and maintenance expense	6,127,271	5,654,193	4,617,305
Depreciation	2,853,900	3,436,403	3,250,069
Total operating expenses	22,029,383	21,762,743	19,788,087
Net operating (loss) income	(3,027,883)	(2,478,127)	(1,692,304)
Non-operating income (expenses)			
Interest income	138,876	235,227	217,441
Investment income	496,389	292,307	390,157
Net effect on change in pension	419,749	548,203	362,553
Interest on long-term debt	(37,187)	(39,116)	(41,560)
Gain/(loss) on disposal of assets	44,682	(1,147)	-
Net non-operating income (expenses)	1,062,509	1,035,474	928,591
(Loss) income before capital contributions	(1,965,374)	(1,442,653)	(763,713)
Capital contributions	8,584,455	9,843,451	12,391,552
Change in net position	6,619,081	8,400,798	11,627,839
Net position, January 1	137,372,345	128,971,547	117,343,708
Net position, December 31	$ 143,991,426	$ 137,372,345	$ 128,971,547

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2025, the District had $131,956,417 invested in capital assets including construction in progress, land, buildings, water treatment, transmission and distribution system, equipment, and vehicles, as reflected in the following schedule. This represents a net increase (additions less retirements and depreciation) of $5,712,431. This increase is mainly due to the fact that District expenditures for new assets of $8,567,727 exceeded depreciation expense of $2,853,900.

Table 3 Summarizes the District's capital assets at the end of 2025 as compared to 2024 and 2023.

Table 3 – Capital Assets at Year End

	2025	2024	2023
Land	$ 256,633	$ 256,633	$ 256,633
Transmission and distribution system	186,199,655	167,727,560	159,697,173
Automated meter system	1,685,784	1,672,955	1,672,955
Buildings and improvements	1,985,351	1,985,351	1,985,351
Machinery and equipment	1,812,916	1,754,811	1,474,401
Furniture and fixtures	213,756	213,756	213,756
Rate Study	220,578	220,578	220,578
Construction in progress	194,600	10,415,901	3,596,412
Subtotal	192,569,273	184,247,545	169,117,259
Accumulated depreciation	(60,612,856)	(58,003,559)	(54,647,870)
Capital assets, net	$ 131,956,417	$ 126,243,986	$ 114,469,389

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2025 compared to 2024 and 2023.

Table 4 – Outstanding Debt at Year End

	2025	2024	2023
Note payable - KIA	$ 1,203,333	$ 1,291,475	$ 1,377,285
Total	$ 1,203,333	$ 1,291,475	$ 1,377,285

At the end of 2025, the District had $1,203,333 in outstanding long-term debt compared to $1,291,475 in 2024 and $1,377,285 in 2023. This is a decrease of $88,142 which includes $88,142 of principal paid on the District's debt during 2025.

All of the required payments were made on the District's outstanding debt during 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2026 projects operating revenues to increase 2.48% while operating expenses are expected to decrease approximately 8.35%. Water revenues are projected to increase over the 2025 year due to continued expansion of the water system, new corporate development, and new households being added to the system. Operation expenses are expected to decrease due to the number of meters and transponders that are scheduled to be changed in 2026. The increase in operating income is still not expected to offset the operating expenses so that there will still be an operating loss at the end of 2026. This operating loss is expected to be offset by any capital contributions that the District receives as the system continues to be expanded. The District is planning to request a rate increase from the PSC but it will likely not be effective until some time in 2027.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 2475 Burlington Pike, Burlington, Kentucky 41005.

Harry Anness

Harry Anness, General Manager
Boone County Water District

BOONE COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2025 and 2024

	2025	*Reclassified* 2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,686,912	$ 2,833,588
Investments	7,749,202	8,905,236
Reserve for depreciation, investment cash and equivalents	5,401,900	1,969,550
Accounts receivable		
Customers, net of allowance	3,043,333	2,840,000
Others	84,791	1,095,974
Assessments receivable	240,057	231,736
Inventories	620,685	546,892
Prepaids	73,277	60,236
Total Current Assets	18,900,157	18,483,212
Capital Assets		
Land, building, transmission system, equipment, and vehicles	192,374,673	173,831,644
Construction in progress	194,600	10,415,901
Total utility plant in service	192,569,273	184,247,545
Less accumulated depreciation	(60,612,856)	(58,003,559)
Total Capital Assets, Net	131,956,417	126,243,986
TOTAL ASSETS	150,856,574	144,727,198
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pension and OPEB	577,258	534,544
TOTAL DEFERRED OUTFLOW OF RESOURCES	577,258	534,544
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	151,433,832	145,261,742

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BOONE COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION - Continued from page 9
December 31, 2025 and 2024

LIABILITIES		*Reclassified*
Current Liabilities	**2025**	**2024**
Accounts payable	1,288,080	1,342,335
Accrued payroll and taxes	567,343	416,825
Deferred revenue on tap ins	99,865	148,280
Customer deposits	263,726	293,757
KIA note payable - current portion	90,538	88,142
Accrued interest payable	3,490	3,121
Total Current Liabilities	2,313,042	2,292,460
Long-Term Obligations		
KIA note payable	1,112,795	1,203,333
Net unfunded pension and OPEB liability	3,040,244	3,013,394
Total Long-Term Obligations	4,153,039	4,216,727
TOTAL LIABILITIES	6,466,081	6,509,187
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pension and OPEB	976,325	1,380,210
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	7,442,406	7,889,397
NET POSITION		
Net investment in capital assets	130,749,594	124,949,390
Unrestricted	13,241,832	12,422,955
TOTAL NET POSITION	$ 143,991,426	$ 137,372,345

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

BOONE COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For Years Ending December 31, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Water revenue	$ 18,669,516	$ 18,957,886
Forfeited discounts	278,698	277,588
Other water revenues	53,286	49,142
TOTAL OPERATING REVENUES	19,001,500	19,284,616
OPERATING EXPENSES		
Water purchased	13,048,212	12,672,147
Operation and maintenance expense	6,127,271	5,654,193
Depreciation	2,853,900	3,436,403
TOTAL OPERATING EXPENSES	22,029,383	21,762,743
OPERATING LOSS	(3,027,883)	(2,478,127)
NON-OPERATING INCOME (EXPENSE)		
Interest income	138,876	235,227
Investment income	496,389	292,307
Gain (loss) on disposal of assets	44,682	(1,147)
Net effect of change in pension and OPEB	419,749	548,203
Interest on long-term obligations	(37,187)	(39,116)
NET NON-OPERATING INCOME (EXPENSE)	1,062,509	1,035,474
NET LOSS	(1,965,374)	(1,442,653)
CAPITAL CONTRIBUTIONS	8,584,455	9,843,451
CHANGE IN NET POSITION	6,619,081	8,400,798
NET POSITION, JANUARY 1	137,372,345	128,971,547
NET POSITION, DECEMBER 31	$ 143,991,426	$ 137,372,345

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

BOONE COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
For Years Ending December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$ 19,801,029	$ 17,989,418
Paid to suppliers for goods and services	(17,674,841)	(16,613,806)
Paid to or on behalf of employees for services	(1,569,659)	(1,761,062)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	556,529	(385,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and sales of investments	1,273,735	(778,015)
Interest on investments	517,564	528,088
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	1,791,299	(249,927)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(88,142)	(85,810)
Interest paid on long-term debt	(36,818)	(39,323)
Acquisition and construction of fixed assets	(1,669,379)	(7,961,093)
Contributed capital received	1,686,107	2,591,472
Sale of capital assets	46,078	925
NET CHANGE IN CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(62,154)	(5,493,829)
CHANGE IN CASH AND CASH EQUIVALENTS	2,285,674	(6,129,206)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	4,803,138	10,932,344
CASH AND CASH EQUIVALENTS-END OF YEAR	$ 7,088,812	$ 4,803,138
RECONCILIATION OF OPERATING INCOME TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES		
Operating loss	$ (3,027,883)	$ (2,478,127)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,853,900	3,436,403
Change in operating assets and liabilities		
Decrease (increase) in receivables	799,529	(1,295,198)
Increase in inventories	(73,793)	(176,305)
Increase in prepaid assets	(13,041)	(10,529)
(Decrease) increase in accounts payable	(54,255)	166,188
Increase (decrease) in accrued payroll and taxes	150,518	(40,885)
(Decrease) increase in deferred revenue on tap ins	(48,415)	24,600
Decrease in customer deposits	(30,031)	(11,597)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 556,529	$ (385,450)
Non-Cash Capital and Related Financing Activities:		
Capital assets contributed to the District	$ 6,898,348	$ 7,251,979
Supplemental Information		
Interest paid	$ (36,818)	$ (39,323)
Components of Cash on the Statement of Net Position		
Cash and cash equivalents - current	$ 1,686,912	$ 2,833,588
Reserve for depreciation, investment cash and cash equivalents	5,401,900	1,969,550
	$ 7,088,812	$ 4,803,138

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

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Boone County Water District (District) is a water utility, which provides service to residential and commercial customers in Boone County, Kentucky. The District was created by the Boone County Court under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

<u>Regulatory Requirements</u>
The District is subject to the regulatory authority of the Kentucky Public Service Commission (“PSC”) pursuant to KRS 278.040.

<u>Basis of Accounting</u>
The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities 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 (expense, 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.

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. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) are segregated into “invested in capital assets, net of related liabilities”; “restricted”; and “unrestricted” components.

<u>Assessments Receivable</u>
Assessments that the District has levied on property owners for the extension of water service to their property are recorded as a receivable at the time of the final public hearing.

<u>Allowance for Bad Debts</u>
The District maintained an allowance for bad debts of $38,500 and $38,500 for 2025 and 2024, respectively.

<u>Cash Equivalents</u>
For purposes of the statement of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

<u>Investment Policy</u>
It is the policy of the District to invest public funds to which it has been entrusted in a matter to provide the highest possible return with the maximum security of principal while meeting the ongoing cash flow needs of the District and complying with all state statutes and District regulations and policy governing the investment of public funds.

This Investment Policy shall apply to all financial assets held by the District with the exception of assets held and invested by trustees or fiscal agents. Any assets held and invested by trustees or fiscal agents must be invested according to state law applicable to the investment of local government funds and according to the District's investment objectives.

The District shall at all times strive to maintain an operating reserve in the District's operation and maintenance account or other accounts in the District's depositary financial institution for immediate or unanticipated cash requirements equal to not less than three months' average operating expenses.

The District's investment objectives are as follows:

1) *Capital preservation* – The safety and preservation of the District's funds is the primary objective of the District's investment program.
2) *Liquidity* – The District's assets shall remain sufficiently liquid to enable the District to meet its operational requirements.
3) *Investment Return* – The investments shall be designed to obtain a reasonable rate of return given the nature of the investments permitted by statute and the District's operational requirements, while maintaining the primary objective of capital preservation.

Investment authority is vested with the Commissioners acting as the Board of Commissioners. The Manager and/or Treasurer are authorized to execute the policies lawfully enacted by the Board of Commissioners. In addition, the commissioners may delegate certain investment authority to qualified investment advisors or financial institutions consistent with District policy.

Funds not necessary for current expenses or obligations and designated for investment may be invested in any of the following:

1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky.

2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
    a. United States Treasury.
    b. Export-Import Bank of the United States.
    c. Farmers Home Administration.
    d. Government National Mortgage Corporation.
    e. Merchant Marine bonds.

3) Obligations of any corporation of the United States government, including but not limited to:
    a. Federal Home Loan Mortgage Corporation.
    b. Federal Farm Credit Banks.
    c. Bank for Cooperatives.
    d. Federal Intermediate Credit Banks.
    e. Federal Land Banks.
    f. Federal Home Loan Banks.
    g. Federal National Mortgage Association.
    h. Tennessee Valley Authority.

4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporations or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4).

5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.

6) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.

7) Commercial paper rated in the highest category by a nationally recognized rating agency.

8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

9) Securities issued by a state or local government, or any instrumentality of an agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.

10) Shares of mutual funds, each of which shall have the following characteristics:
    a. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
    b. The management company of the investment company shall have been in operation for at least five (5) years; and
    c. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

<u>Budgets</u>
In accordance with Kentucky Revised Statute 65A, the District is required to upload a balanced budget on the Kentucky Department of Local Government's website prior to January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end.

<u>Inventories</u>
Inventories are stated at the lower of cost or market value. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

<u>Deferred Outflows and Inflows of Resources</u>
Deferred outflows of resources represent a consumption of net assets that applies to future periods, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods and is therefore deferred until that time. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred inflows of resources related to pensions and other postemployment benefits.

Distribution System, Building, and Equipment

Property, plant, transmission lines and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the "Non-Operating Income (Expense)" portion of results of operations.

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use at year end are held as "Construction in Progress." When the related asset is ready for use, related costs are transferred to the related asset account.

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and assessments charged to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors. These amounts have been reduced by rebates paid to the contractor for 50 feet of line each time that a new customer taps into the contributed line.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension (expense) gain, 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 the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (expense) gain, 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Income Tax Status

The District is exempt from federal and state income taxes since it is a governmental entity. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sale of fixed assets and interest income.

NOTE 2 – DEPOSITS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits are displayed on the Statement of Net Position as “Cash and Cash Equivalents” and “Reserve for Depreciation, Investment Cash and Equivalents”. The balances for Cash and Cash Equivalents were $1,686,912 and $2,833,588 at December 31, 2025 and 2024, respectively. The balances for Reserve for Depreciation, Investment Cash and Equivalents were $5,401,900 and $1,969,550 at December 31, 2025 and 2024, respectively. The portion of the Reserve balances that are Investment Cash and Equivalents of $2,493,538 and $ 833,789 at December 31, 2025 and 2024, respectively, are also listed below in Note 3 - Investments.

NOTE 3 – INVESTMENTS

Investment obligations are deemed to be part of the fund or account for which they were purchased. Income, interest, gains and losses on an investment obligation are credited or charged to the fund or account for which such an investment obligation was purchased.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the markets for the security type and the inputs used to determine their fair value, as follows:

Level 1 – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the District has the ability to access.

Level 2 – Other observable inputs (included but not limited to, quotes process for similar assets or liabilities in the markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks, and default rates) or other market-corroborated inputs).

Level 3 – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Restricted assets are classified in Level 2 and are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

Investments' fair value measurements are as follows at December 31, 2025:

		Fair Value Measurements Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	$ 3,994,388	$ 3,994,388	$ -	$ -
U.S. agencies (FNMA, etc.)	689,631	689,631	-	-
Total debt securities	4,684,019	4,684,019	-	-
Equity securities:				
Mutual funds	3,065,183	3,065,183	-	-
Total equity securities	3,065,183	3,065,183	-	-
Subtotal investments	7,749,202	7,749,202	-	-
Cash and Cash Equivalents				
Money market funds	2,493,538	2,493,538	-	-
Total investments	$ 10,242,740	$ 10,242,740	$ -	$ -

Investments' fair value measurements are as follows at December 31, 2024:

		Fair Value Measurements Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	$ 4,512,331	$ 4,512,331	$ -	$ -
U.S. agencies (FNMA, etc.)	1,370,078	1,370,078	-	-
Total debt securities	5,882,409	5,882,409	-	-
Equity securities:				
Mutual funds	3,022,827	3,022,827	-	-
Total equity securities	3,022,827	3,022,827	-	-
Subtotal investments	8,905,236	8,905,236	-	-
Cash and Cash Equivalents				
Money market funds	833,789	833,789	-	-
Total investments	$ 9,739,025	$ 9,739,025	$ -	$ -

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

NOTE 4 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method as detailed in Note 1. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	5-10 years
Automated meter system	50 years
Transmission lines	50 years
Rate Study	4 years

Asset Type	Balance at December 31, 2024	Additions	Retirements	Balance at December 31, 2025
Land	$ 256,633	$ -	$ -	$ 256,633
Transmission lines	167,727,560	18,472,095	-	186,199,655
Automated meter system	1,672,955	12,829	-	1,685,784
Buildings	1,985,351	-	-	1,985,351
Machinery and equipment	1,754,811	304,104	(245,999)	1,812,916
Furniture and fixtures	213,756	-	-	213,756
Rate study	220,578	-	-	220,578
Construction in progress	10,415,901	542,597	(10,763,898)	194,600
Subtotal	184,247,545	19,331,625	(11,009,897)	192,569,273
Accumulated depreciation	(58,003,559)	(2,853,900)	244,603	(60,612,856)
Fixed assets, net	$ 126,243,986	$ 16,477,725	$ (10,765,294)	$ 131,956,417

NOTE 5 – LONG TERM DEBT

The following is a summary of the District's debt:

Debt type	Balance at December 31 2024	Additions	Principal Payments	Balance at December 31 2025	Current Portion
KIA Loan	$ 1,291,475	$ -	$ (88,142)	$ 1,203,333	$ 90,538
Totals	$ 1,291,475	$ -	$ (88,142)	$ 1,203,333	$ 90,538

<u>Note Payable – Kentucky Infrastructure Authority</u>

The District established a note payable related to its acquisition of Rural Water lines from the Boone County Fiscal Court, effective during the year ended 2009. This note payable carries an interest rate of 2.70% and matures on June 1, 2037. District infrastructure assets serve as collateral for this debt. Remaining debt service requirements on this note payable are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	2.70%	$ 90,538	$ 34,245	$ 124,783
2027	2.70%	92,999	31,602	124,601
2028	2.70%	95,527	28,886	124,413
2029	2.70%	98,124	26,097	124,221
2030	2.70%	100,791	23,232	124,023
2031-2035	2.70%	546,571	70,389	616,960
2036-2037	2.70%	178,783	5,208	183,991
Totals		$ 1,203,333	$ 219,659	$ 1,422,992

NOTE 6 - COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description – District employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on ***Non-Hazardous*** duty and ***Hazardous*** duty covered-employee classifications. The District has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2024:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	80,440	80,072
Inactive Plan Members	115,789	26,288
Retired Members	72,385	38,993
	268,614	145,353
Number of participating employers		1,151

PENSION PLAN

Benefits provided: The non-hazardous system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for the next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for the next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began on or After 09/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for the next five years before age 65 or Rule of 87 (age plus years of service).

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor		X	Years of Service
Average of the five highest years of compensation if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 08/01/2004 but before 01/01/2014.		

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.10%);* ***10 - 20 years*** *(1.30%);* ***20 - 26 years*** *(1.50%);* ***26 - 30 years*** *(1.75%)*

Benefit Formula for Tier 3
(A-B) = C X 75% = D, then B+D = Interest

	A	B	C	D	Interest	Total
Measurement Year	5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned	Rate Earned (4% + Upside)	Interest Credited to Members' Account
2025	9.89%	4.00%	5.89%	4.42%	8.42%	$ 54,364,000
2024	7.67%	4.00%	3.67%	2.75%	6.75%	$ 35,699,000

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a $5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the greatest of 20% for non-hazardous of final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hybrid account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

Contributions

The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5.00% of their annual creditable compensation. Employees hired on or after September 1, 2008 contribute an additional 1.00% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. 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. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly.

The District contributed 19.71% of covered-employee's compensation (from January – June 2025) of which 19.71% was for the pension fund and 0% was for the health insurance fund and contributed 18.62% of covered-employee's compensation (from July – December 2025), of which 18.62% was for the pension fund and 0% was for the health insurance fund.

The District made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of $358,271, of which $358,271 was for the pension fund and $0 was for the health insurance fund.

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

At December 31, 2025, the District reported a liability of $2,988,629 as its proportionate share of the net pension liability. 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 that date. 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 the June 30, 2025 measurement year, the District's non-hazardous employer allocation proportion was 0.0537% of the total CERS non-hazardous duty employees. For the year ended December 31, 2025, the District recognized a pension benefit of $201,969 in addition to its $358,271 pension contribution.

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

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ 99,079	$ -
Net difference between projected actual earnings on plan investments	-	(298,846)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	64,395	(45,656)
Contributions subsequent to the measurement date	183,638	-
	$ 347,112	$ (344,502)

The District's contributions subsequent to the measurement date of $183,638 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 related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2026	$ 45,948
2027	(78,780)
2028	(97,110)
2029	(51,086)
2030	-
Thereafter	-
	$ (181,028)

Basis of Calculations

The actuarial valuation as of June 30, 2025 was performed by Gabriel, Roeder, Smith & Co. (GRS) plan in compliance with *GASB Statement No. 67 - Financial Reporting for Pension Plans*. The total pension liability, the net pension liability, and the sensitivity information as of June 30, 2025 were based on an actuarial valuation date of June 30, 2024. The total pension liability was rolled-forward from the original valuation date of June 30, 2024 to the plan's fiscal year ending of June 30, 2025 using generally accepted actuarial procedures.

Actuarial Methods and Assumptions to Determine the Total Pension Liability and the Net Pension Liability

Below is a summary of the principal assumptions used for the June 30, 2024, actuarial valuation:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous
Mortality	
Pre-retirement	PUB-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table projected with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2010.

Changes of Assumptions - Plan

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2024. It is GRS's opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under *GASB Statement No. 68 Accounting and Financial Reporting for Pensions*.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 27 years (closed) amortization period of the unfunded actuarial accrued liability.

Also, the provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions.

The discount rate determination does not use a municipal bond rate.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for 2025

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending December 31, 2025:

Actuarial Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.50%
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Plan Target Allocation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	45.00%	4.15%
Private equity	8.00%	7.90%
Core bonds	13.00%	2.70%
Specialty credit / high yield	20.00%	3.83%
Cash	2.00%	1.25%
Real estate	5.00%	4.75%
Real return	7.00%	5.20%
Expected Real Return	100.00%	4.24%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		6.74%

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Non-hazardous	$ 3,951,168	$ 2,988,629	$ 2,194,512
Total	$ 3,951,168	$ 2,988,629	$ 2,194,512

<u>HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS</u>

General Information about the OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Public Pension Authority under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District only participates in the non-hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes.

This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
< 4 Years	0.00%

Contributions

The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5.00% of their annual creditable compensation. Employees hired on or after September 1, 2008 contribute an additional 1.00% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. 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. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly.

The District contributed the required 0% of covered-employee's compensation (from January – June 2025) and contributed the required 0% of covered-employee's compensation (from July – December 2025) for the health insurance fund. These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (asset). For the year ended December 31, 2025, the District recognized an OPEB benefit /expense of $217,780 in addition to its $0 OPEB contribution.

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

At December 31, 2025, the District reported an OPEB liability of $51,615 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2025, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. 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 governmental entities, actuarially determined. At the June 30, 2025 measurement year, the District's proportion of the total non-hazardous plan was 0.0537%.

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ 167,407	$ (443,740)
Net difference between projected actual earnings on plan investments	-	(116,894)
Changes of assumptions	34,426	(29,554)
Changes in proportion and differences between contributions and proportionate share of contributions	28,313	(41,635)
Contributions subsequent to the measurement date	-	-
	$ 230,146	$ (631,823)

The District’s contributions subsequent to the measurement date of $0 for non-hazardous duty employees will be recognized as a reduction of the net OPEB 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 OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2026	$ (228,696)
2027	(186,791)
2028	5,699
2029	8,111
2030	-
Thereafter	-
	$ (401,677)

Basis of Calculations

The actuarial valuation as of June 30, 2025 was performed by Gabriel, Roeder, Smith & Co. (GRS) plan in compliance with *GASB Statement No. 74 - Financial Reporting for Other Post-Employment Benefit Plans*. The total OPEB liability, the net OPEB liability, and the sensitivity information as of June 30, 2025 were based on an actuarial valuation date of June 30, 2024. The total OPEB liability was rolled-forward from the original valuation date of June 30, 2024 to the plan's fiscal year ending of June 30, 2025 using generally accepted actuarial procedures.

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

Below is a summary of the principal assumptions used for the June 30, 2023 actuarial valuation:

Investment Rate of Return	6.50% for CERS Non-hazardous
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Payroll Growth Rate	2.0% for CERS Non-hazardous
Mortality	
Pre-retirement	PUB-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table projected with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2010.
Health Care 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% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 10 years.

Change in Assumptions - Plan

The discount rate used to calculate the total OPEB liability increased from 5.99% to 6.26% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare health care costs. The Total OPEB Liability as of June 30, 2025, is determined using these updated assumptions.

Senate Bill 10 passed during the 2025 legislative session and increased the insurance benefit for members who began participation on or after July 1, 2003, to $40 a month for nonhazardous CERS service effective January 1, 2026. These increases are only payable when a member is not eligible for Medicare benefits and only if they have met certain service thresholds at retirement. Additionally, this legislation increases the insurance member contribution rate for hazardous members from 1% of pay to 2% of pay, effective July 1, 2026, and extended the required member contribution to CERS members hired on or after July 1, 2003, but prior to September 1, 2008, for both funds.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2024. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB *Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Discount Rate

Single discount rates of 6.26% for CERS Nonhazardous was used to measure the total OPEB liability as of June 30, 2025. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 5.20%, as reported in Bond Buyer's "20-Year Municipal GO AA Index" as of June 30, 2025. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2025

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2025:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.50%
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Mortality	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare 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. The 2024 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were included into the liability measurement.

Changes of Assumptions - Contributions

The discount rates used to calculate the total OPEB liability (asset) increased from 5.99% to 6.26%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2025 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Plan Target Allocation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	45.00%	4.15%
Private equity	8.00%	7.90%
Core bonds	13.00%	2.70%
Specialty credit /high yield	20.00%	3.83%
Cash	2.00%	1.25%
Real estate	5.00%	4.75%
Real return	7.00%	5.20%
Expected Real Return	100.00%	4.24%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		6.74%

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 6.26% for the non-hazardous plan, as well as what the 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	5.26%	6.26%	7.26%
Net OPEB liability, Non-Haz	$ 309,707	$ 51,615	$ (165,608)
Total	$ 309,707	$ 51,615	$ (165,608)

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	Proportionate Share of Net OPEB Liability		
Healthcare cost trend rate	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	$ (119,283)	$ 51,615	$ 251,675
Total	$ (119,283)	$ 51,615	$ 251,675

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

NOTE 7 – RELATED PARTY TRANSACTIONS

The District purchases water from the joint Boone-Florence Water Commission (Commission). Two of the District's board members also serve as commissioners on the Boone-Florence Water Commission. The Commission is the District's sole source of wholesale water. The Commission was created in a joint venture with the City of Florence, Kentucky to purchase water from the City of Cincinnati, Ohio. During 2025 and 2024, the District purchased $13,048,212 and $12,672,147, respectively. During 2025 and 2024, the District leased office space to the Commission at a cost of $6,000 per year. The District also provided maintenance services to the Water Commission lines and towers and was reimbursed $29,921 and $11,464 for those services during 2025 and 2024, respectively.

NOTE 8 – ECONOMIC DEPENDENCY/CREDIT RISK

Boone County Water District is a government agency operating with one office in Burlington, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Boone County, Kentucky.

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS IN CURRENT YEAR

Statement No. 102 – *Certain Risk Disclosures* – Implementation in calendar year 2025

The implementation of these standards had no significant effect on the District during this calendar year.

NOTE 10 – FUTURE ACCOUNTING STANDARDS

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in calendar year 2026

Statement No. 104 – *Disclosure of Certain Capital Assets* – Implementation in calendar year 2026

NOTE 11 – RECLASSIFICATION OF PRIOR YEAR FINANCIAL STATEMENTS

The District has reclassified the restricted net position amount on the Statement of Net Position for the fiscal year 2024. The KIA note payable - current portion and accrued interest payable will be displayed as current liabilities on the Statements of Net Position.

NOTE 12 – SUBSEQUENT EVENTS

Management has considered subsequent events through June 10, 2026 which represents the date the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2025 through June 10, 2026 to disclose.

BOONE COUNTY WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
County Employees' Retirement System (CERS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of net pension liability (asset)	0.05371%	0.05189%	0.05446%	0.05220%	0.05640%	0.05494%	0.05336%	0.05267%	0.05077%	0.05000%
Proportionate share of the net pension liability (asset)	$ 2,988,629	$ 3,103,242	$ 3,494,238	$ 3,773,184	$ 3,595,751	$ 4,213,699	$ 3,752,792	$ 3,207,520	$ 2,971,900	$ 2,461,715
Covered employee payroll in year of measurement	$ 1,789,090	$ 1,238,876	$ 1,580,765	$ 1,443,314	$ 1,442,153	$ 1,409,158	$ 1,345,944	$ 1,305,317	$ 1,143,696	$ 1,179,827
Share of the net pension liability (asset) as a percentage of its covered employee payroll	167.05%	250.49%	221.05%	261.43%	249.33%	299.02%	278.82%	245.73%	259.85%	208.65%
Plan fiduciary net position as a percentage of total pension liability (asset)	65.34%	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 358,271	$ 374,672	$ 371,950	$ 341,145	$ 282,724	$ 284,296	$ 247,340	$ 205,408	$ 179,614	$ 142,047
Actual contribution	358,271	374,672	371,950	341,145	282,724	284,296	247,340	205,408	179,614	142,047
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,872,251	$ 1,745,732	$ 1,579,636	$ 1,529,116	$ 1,397,470	$ 1,437,819	$ 1,393,882	$ 1,335,691	$ 1,238,229	$ 1,143,696
Contributions as a percentage of covered employee payroll	19.14%	21.46%	23.55%	22.31%	20.23%	19.77%	17.79%	15.38%	14.51%	12.42%

Notes to Required Supplementary Information
for the Year Ended December 31, 2025

The net pension liability (asset) as of December 31, 2025, is based on the June 30, 2025, actuarial valuation. The changes to the elements of the pension (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

BOONE COUNTY WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
County Employees' Retirement System (CERS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of net OPEB liability (asset)	0.05374%	0.05194%	0.05446%	0.05219%	0.05638%	0.05492%	0.05335%	0.052660%		
Proportionate share of the net OPEB liability (asset)	$ 51,615	$ (89,848)	$ (75,184)	$ 1,029,898	$ 1,079,443	$ 1,326,199	$ 897,239	$ 935,039		
Covered employee payroll in year of measurement	$ 1,789,090	$ 1,238,876	$ 1,580,765	$ 1,443,314	$ 1,442,153	$ 1,409,158	$ 1,345,944	$ 1,305,317		
Share of the net OPEB liability (asset) as a percentage of its covered employee payroll	2.88%	-7.25%	-4.76%	71.36%	74.85%	94.11%	66.66%	71.63%		
Plan fiduciary net position as a percentage of total OPEB liability (asset)	97.66%	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%		

Schedule of the District's OPEB Fund Contributions
County Employees' Retirement System (CERS)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ 27,090	$ 69,702	$ 73,617	$ 70,116	$ 69,593	$ 66,640	$ 61,453	
Actual contribution	-	-	27,090	69,702	73,617	70,116	69,593	66,640	61,453	
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Covered employee payroll	$ 1,872,251	$ 1,745,732	$ 1,579,636	$ 1,529,116	$ 1,397,470	$ 1,437,819	$ 1,393,882	$ 1,335,691	$ 1,238,229	
Contributions as a percentage of covered employee payroll	0.00%	0.00%	1.71%	4.56%	5.27%	4.88%	4.99%	4.99%	4.96%	

Notes to Required Supplementary Information
for the Year Ended December 31, 2025

The net OPEB liability (asset) as of December 31, 2025, is based on the June 30, 2025, actuarial valuation. The changes to the elements of the OPEB (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

Chamberlin Owen
Certified Public Accountants

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 Board of Commissioners
Boone County Water District
Burlington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Boone County Water District as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements which collectively comprise Boone County Water District's basic financial statements and have issued our report thereon dated June 10, 2026.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

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

3216 Dixie Highway ■ Erlanger, KY ■ 41018 ■ Phone 859-431-0700 ■ www.cnocpa.com

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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
June 10, 2026