BULLOCK PEN WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ending December 31, 2025 and 2024

BULLOCK PEN WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2025 and 2024

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BULLOCK PEN WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2025 and 2024

Charles Given, Chair

Andrea Walton, Vice-Chair

Rodger Bingham, Treasurer

William Wethington, Secretary

Bryan Slaughter, Commissioner

Of Counsel

Thomas R. Nienaber, Esq.

Administration

Paul Harp, Superintendent

Independent Auditor's Report

To the Board of Commissioners
Bullock Pen Water District
Crittenden, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bullock Pen 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 Bullock Pen 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 Bullock Pen Water District as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Bullock Pen 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 opinions.

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 Bullock Pen 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

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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.

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 Bullock Pen 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 Bullock Pen 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 *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB* 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bullock Pen Water District's basic financial statements. The accompanying Schedules of Operations, Maintenance, and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedules of Operations, Maintenance, and Administrative Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2026, on our consideration of the Bullock Pen 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 Bullock Pen 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 Bullock Pen Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
June 3, 2026

BULLOCK PEN WATER DISTRICT

1 Farrell Drive
Crittenden, Kentucky 41030

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 assets of the District exceeded its liabilities at the close of the most recent year by $19,326,430 (net position). This was an increase of $1,603,069 in comparison to the prior year's increase of $1,403,956. During 2025, the District's operating revenues decreased 1.0% or $51,849 while operating expenses decreased 2.2% or $100,236.
- At the end of the current year, unrestricted net position was $4,781,812.

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.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

Statements of Net Position and Revenues, Expenses and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position, we report the District's activities.

- The District charges rates for water usage based on the water consumption of its customers to cover all or most of the cost of certain services the District provides.

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	$ 6,185,638	$ 5,110,600	$ 3,106,647
Restricted assets	1,492,121	1,521,630	2,249,406
Capital assets, net	15,975,344	16,014,071	16,401,921
Deferred outflows of resources - pension & OPEB contribution	252,988	274,527	354,059
Total Assets and Deferred Outflows of Resources	23,906,091	22,920,828	22,112,033
Current liabilities	466,403	503,800	419,030
Liabilities payable from restricted assets	412,335	405,159	441,922
Long-term liabilities	3,124,200	3,555,125	4,035,151
Deferred inflows of resources - pension & OPEB	576,723	733,383	896,525
Total Liabilities and Deferred Inflows of Resources	4,579,661	5,197,467	5,792,628
Net Position:			
Net investment in capital assets	14,075,330	13,844,190	13,932,620
Restricted	469,288	512,148	935,908
Unrestricted	4,781,812	3,367,023	1,450,877
Total Net Position	$ 19,326,430	$ 17,723,361	$ 16,319,405

The District's net position for 2025 increased 9.04% or $1,603,069, as compared to 8.6% or $1,403,956 increase in the previous year.

The largest portion of the District's net position (72.8%) 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.

An additional portion of the District's net position (2.5%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

The District's operating revenues decreased by $51,849 or 1.0%. Water sales to commercial customers made up the largest portion of this decrease. There was a slight increase in the management fee charged to the sewer district which help to offset the decrease in water sales.

Operating Expenses

The District's operating expenses decreased $100,236 or 2.2%. There was an increase in water costs in the amount of $33,971. Operation and maintenance expenses decreased by $121,226 or 5.23%. Although the District increased salary and benefits in order to maintain their competitiveness in the current employment market, this expense category decreased. This was the result of some senior employees retiring and being replaced by younger staff at entry level salaries. There was a large decrease in engineering expense as the District wrote off some construction projects in 2024. The District also saw increases in the Materials and Supplies category as they are in the process of replacing meters.

Net Effect On Change Of Pension and OPEB (Expense) Gain

The District is required to report its proportionate share of the estimated unfunded net 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, $295,402, is the result of booking the change in the unfunded net 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 gain decreased $5,351 from the amount reported in 2024. See Note 8 to the financial statements for a more complete explanation of this unfunded net liability (asset) and the related deferred inflows and outflows.

Capital Contributions

Capital contributions increased $48,642 and surcharge collections increased $520 during 2025. The increase in capital contributions was primarily due to the District receiving $57,642 more in grants than in the previous calendar year.

The following schedule compares the revenues and expenses for the current year and the previous two years.

Table 2
Changes in Net Position

	2025	2024	2023
Operating revenues:			
Water sales	$ 4,960,472	$ 5,037,727	$ 4,645,423
Forfeited discounts	79,700	78,008	77,861
Miscellaneous services revenues	22,404	29,901	37,713
Management fee	257,694	226,483	223,072
Total operating revenues	5,320,270	5,372,119	4,984,069
Operating expenses:			
Water purchased	1,618,995	1,585,024	1,574,083
Operation and maintenance expense	2,240,460	2,361,686	2,292,579
Depreciation and amortization	608,564	621,545	702,823
Total operating expenses	4,468,019	4,568,255	4,569,485
Net operating profit	852,251	803,864	414,584
Non-operating income (expenses)			
Investment income	183,213	75,007	31,907
Gain on disposal of assets	-	10,265	916
Net effect on change in pension gain	295,402	300,753	232,201
Interest on long-term debt	(59,909)	(68,883)	(78,517)
Amortization of bond premium	(436)	(436)	(765)
Net non-operating income	418,270	316,706	185,742
Income before capital contributions	1,270,521	1,120,570	600,326
Capital grants and contributions	332,548	283,386	198,345
Change in net position	1,603,069	1,403,956	798,671
Net position, January 1	17,723,361	16,319,405	15,520,734
Net position, December 31	$ 19,326,430	$ 17,723,361	$ 16,319,405

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2025, the District had $15,975,344 invested in capital assets including land, buildings, water treatment, transmission and distribution system, equipment, and vehicles, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of $38,727. This decrease is mainly due to the fact that depreciation expense of $606,931 was more than the cost of new assets purchased during 2025.

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	$ 580,314	$ 580,314	$ 580,314
Buildings and improvements	1,963,521	1,963,521	1,963,521
Construction in progress	614,865	208,874	154,374
Other plant and miscellaneous equipment	812,021	798,306	796,718
Transportation equipment	367,264	367,264	407,176
Transportation and distribution system	26,670,268	26,521,770	26,359,972
Furniture and fixtures	87,080	87,080	81,555
Subtotal	31,095,333	30,527,129	30,343,630
Accumulated depreciation	(15,119,989)	(14,513,058)	(13,941,709)
Capital assets, net	$ 15,975,344	$ 16,014,071	$ 16,401,921

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
Bond payable obligations	$ 276,000	$ 315,000	$ 352,000
Notes payable	1,666,795	1,892,745	2,153,038
Total	$ 1,942,795	$ 2,207,745	$ 2,505,038

At year-end, the District had $1,942,795 in outstanding long-term debt compared to $2,207,745 in 2024 and $2,505,038 in 2023. This is a decrease of $264,950 which is the amount 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 a year that will result in a smaller increase in net position than 2025. Water revenues are projected to remain approximately the same as 2025. Operation expenses are expected to increase due to economic factors. The increase in operating expenses is expected to outpace the increase in the operating revenues. The District is currently not projecting any revenue from grants. All of these factors should translate to a smaller increase in net position at the end of 2026. The District is in the early stages of constructing a Water Treatment Plant.

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 1 Farrell Drive, Crittenden, Kentucky 41030.

Paul Harp

Paul Harp, Superintendent
Bullock Pen Water District

BULLOCK PEN WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 1,752,349	$ 1,575,532
Investments	3,359,370	2,432,988
Accounts receivable		
Customers, net of allowance	748,078	770,902
Other	26,728	59,274
Inventories	243,008	218,371
Prepaids	54,036	49,694
Accrued interest receivable	-	1,770
Unamortized expenses	2,069	2,069
Total current assets	6,185,638	5,110,600
Restricted assets		
Cash and cash equivalents		
Current reserve fund - USDA Rural Development	156,058	153,155
Debt payment account	679,864	833,729
Maintenance and replacement reserve	116,846	53,978
FSA account	7,808	7,669
Customer deposits	526,556	468,230
Accounts receivable - surcharges	4,989	4,869
Total restricted assets	1,492,121	1,521,630
Capital assets		
Land, building, transmission system, equipment, and vehicles	30,480,468	30,318,255
Construction in progress	614,865	208,874
Total utility plant in service	31,095,333	30,527,129
Less: accumulated depreciation	(15,119,989)	(14,513,058)
Total capital assets, net of depreciation	15,975,344	16,014,071
Total assets	23,653,103	22,646,301
Deferred outflow of resources		
Unamortized debt discounts	1,781	2,218
Unamortized tap-in expense	24,085	25,718
Deferred outflows related to pension and OPEB	227,122	246,591
Total deferred outflow of resources	252,988	274,527
Total assets and deferred outflow of resources	23,906,091	22,920,828

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

(Continued on Page 12)

BULLOCK PEN WATER DISTRICT
STATEMENTS OF NET POSITION (Continued from Page 11)
December 31, 2025 and 2024

	2025	2024
Liabilities		
Current liabilities		
Accounts payable	204,000	216,604
Accrued and withheld liabilities	262,403	287,196
Total current liabilities	466,403	503,800
Current liabilities payable from restricted assets		
Revenue bonds - current portion	41,000	39,000
Notes payable - current portion	231,714	225,950
Customer deposits	131,122	130,518
Accrued interest payable	8,499	9,691
Total current liabilities payable from restricted assets	412,335	405,159
Long-term obligations		
Bonds	235,000	276,000
Notes payable	1,435,081	1,666,795
Net unfunded pension and OPEB liability	1,454,119	1,612,330
Total long-term obligations	3,124,200	3,555,125
Total liabilities	4,002,938	4,464,084
Deferred inflow of resources		
Deferred inflows related to pension and OPEB	576,723	733,383
Total liabilities and deferred inflow of resources	4,579,661	5,197,467
Net position		
Net investment in capital assets	14,075,330	13,844,190
Restricted	469,288	512,148
Unrestricted	4,781,812	3,367,023
Total net position	$ 19,326,430	$ 17,723,361

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

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

	2025	2024
Operating revenues		
Water revenue	$ 5,062,576	$ 5,145,636
Management fees	257,694	226,483
Total operating revenues	5,320,270	5,372,119
Operating expenses		
Water purchased	1,618,995	1,585,024
Operations, maintenance, and administrative expenses	2,240,460	2,361,686
Depreciation and amortization	608,564	621,545
Total operating expenses	4,468,019	4,568,255
Operating income	852,251	803,864
Non-operating income (expense)		
Investment income	183,213	75,007
Gain on sale of capital assets	-	10,265
Net effect on change of pension and OPEB	295,402	300,753
Interest on long-term obligations	(59,909)	(68,883)
Amortization of bond discounts	(436)	(436)
Net non-operating income (expense)	418,270	316,706
Net gain	1,270,521	1,120,570
Capital contributions	332,548	283,386
Change in net position	1,603,069	1,403,956
Net position, January 1	17,723,361	16,319,405
Net position, December 31	$ 19,326,430	$ 17,723,361

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

BULLOCK PEN WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Received from customers	$ 5,375,640	$ 5,275,644
Paid to suppliers for goods and services	(2,547,471)	(2,439,653)
Paid to or on behalf of employees for services	(1,377,756)	(1,438,056)
Net change in cash for operating activities	1,450,413	1,397,935
Cash flows from investing activities		
Purchase of investments	(800,000)	(1,600,000)
Interest received on investments	58,601	9,318
Net change in cash for investing activities	(741,399)	(1,590,682)
Cash flows from capital and related financing activities		
Contributed capital received	332,548	283,386
Acquisition and construction of capital assets	(568,203)	(232,061)
Proceeds from sale of capital assets	-	10,265
Interest paid on long term debt	(61,101)	(70,117)
Principal paid on long term debt	(264,950)	(297,293)
Decrease in restricted accounts receivable - surcharges	(120)	9
Net change in cash for capital and related financing activities	(561,826)	(305,811)
Change in cash and cash equivalents	147,188	(498,558)
Cash and cash equivalents-beginning of year	3,092,293	3,590,851
Cash and cash equivalents-end of year	$ 3,239,481	$ 3,092,293
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	$ 852,251	$ 803,864
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	608,564	621,545
Change in operating assets and liabilities		
Decrease (increase) in receivables	55,370	(96,475)
Increase in inventories	(24,637)	(3,167)
Increase in prepaid assets	(4,342)	(9,413)
(Decrease) increase in accounts payable	(12,604)	66,748
Increase (decrease) in customer deposits	604	(3,189)
(Decrease) increase in other accrued liabilities	(24,793)	18,022
Net cash provided by operating activities	$ 1,450,413	$ 1,397,935
Supplemental information		
Interest paid	$ 61,101	$ 70,117
Reconciliation of cash and cash equivalents to the Statement of Net Position		
Cash and cash equivalents - current	$ 1,752,349	$ 1,575,532
Cash and cash equivalents - restricted	1,487,132	1,516,761
Cash and cash equivalents, December 31	$ 3,239,481	$ 3,092,293

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

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Bullock Pen Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky. The District was created by the Grant County Fiscal Court under the provisions of chapter 74 of the Kentucky Revised Statutes (KRS) in 1957.

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission (PSC) pursuant to KRS 278.040.

Basis of Accounting

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. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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.

Cash Equivalents

For purposes of the balance sheets and the statements 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.

Budgets

In accordance with Kentucky Revised Statute 65A, the District is required to upload a balanced budget to the Kentucky Department of Local Government website by 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.

Inventories

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

Deferred Outflows and Inflows of Resources

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 asset under construction is ready for use, related costs are transferred to the asset account. The Construction in Progress account was $614,865 and $208,874 at December 31, 2025 and 2024, respectively.

Miscellaneous Deferred Charges

Bond premiums and discounts are deferred and amortized over the life of the bond. The District amortizes expenses related to tapping into the Northern Kentucky Water District. The District also amortizes costs associated with the preparation, filing, and completion of its rate case proceedings.

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 other contributions to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors.

During 2025 and 2024 these contributions consisted of the following:

Source	2025	2024
Tap in fees and construction costs paid by new customers	$ 124,146	$ 133,146
Grants	179,902	122,260
Surcharges - Phases 5, 6, 8, and 10	28,500	27,980
Total income received in aid of construction	332,548	283,386
Waterlines and related infrastructure received without cost	-	-
Total capital contributions	$ 332,548	$ 283,386

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, sales of fixed assets and interest income.

NOTE 2 – DEPOSITS AND INVESTMENTS

The following table provides a reconciliation of cash, cash equivalents and investments as shown on the Comparative Statements of Net Position as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Reported in Statements of Net Position:		
Cash & cash equivalents		
Unrestricted	$ 1,752,349	$ 1,575,532
Restricted	1,487,132	1,516,761
Total cash & cash equivalents	3,239,481	3,092,293
Investments	3,359,370	2,432,988
Total Cash, Cash Equivalents, and Investments	$ 6,598,851	$ 5,525,281

Deposits

As of December 31, 2025, the District's depository banks are Forcht Bank and Regions Bank. The District's deposits are fully collateralized and/or covered by federal depository insurance. At December

31, 2025, the collateral pledged consisted of securities within an investment portfolio held by the bank, with market values reported on the collateral statement issued under the District's name. At December 31, 2025, the bank balance of the District's demand accounts were $3,177,162 at Forcht Bank and $62,319 at Regions Bank.

Investments

As of December 31, 2025, the District's investments are made up of three certificates of deposit. The certificates of deposit are with Forcht Bank. Investments are reported at fair value as of December 31, 2025.

The following table presents information related to the District's investments at December 31, 2025.

	Reported Value	Weighted Average Maturity in Years
Money market funds	$ -	0.003
Cash and cash equivalents	-	0.000
Certificates of deposit	3,359,370	0.000
Total investments	$ 3,359,370	

Risks

Interest Rate Risk: Interest rate risk is the risk that a change in market interest rates of fixed income securities will adversely affect the fair value of the investment. The District minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average maturity in years represents the interest rate risk for the District. At December 31, 2025, the longest remaining maturity for any investment was approximately five years.

Credit Risk: Credit risk is the risk that an issuer of financial securities will not fulfill its obligations to the holder of the obligation. In accordance with Kentucky Revised Statues and the District's investment policy, the District manages credit risk by limiting its investments in state and local governments in those rated in one of the three highest categories by a competent rating agency. Restricted fund investments in state and local governments must be rated in one of the two highest rating categories.

Concentration of Credit Risk: Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The District's investment policy requires that investments be diversified to eliminate the risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The District was in compliance with its investment policy at December 31, 2025.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District's deposits or collateral securities would not be returned to it. The District considers the collateral provided by financial institutions with who it does business adequate to cover all deposits in excess of limits set forth by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Investments: For an investment, 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 its investments or collateral securities that are in the possession of the outside party. The District's investments are held in the District's name by an independent custodial agent and investments in obligations of the United States or its agencies are held by the Federal Reserve in a custodial account.

Fair Value Measurement

GASB 72 requires the District to disclose how we measure the fair value of investments and the underlying valuation techniques. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for these securities or repurchase agreements. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing approach. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices. Assets classified in Level 3 are valued based on unobservable inputs.

The following table summarizes the District's investments subject to fair value measurements and valuation techniques as of December 31, 2025.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value level:				
Certificates of Deposit	$ 3,359,370	-	-	$ 3,359,370
Total investments	$ 3,359,370	$ -	$ -	$ 3,359,370

Restricted Cash and Investments

Cash and investments are restricted for various purposes as specified by the District's General Bond Resolution and other debt agreements. The following table summarizes restricted cash and investments by purpose at December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Current reserve fund - USDA Rural Development	$ 156,058	$ 153,155
Debt payment account	679,864	833,729
Maintenance and replacement reserve	116,846	53,978
FSA account	7,808	7,669
Customer deposits	526,556	468,230
Total restricted cash & investments	$ 1,487,132	$ 1,516,761

The General Bond Resolution sets a debt service reserve requirement equal to at least 10% of the face amount of all bonds issued under the resolution. Draws under the Reserve Policy may only be used to make payments of principal and interest on the bonds. Cash and investments in the debt service reserve funds shall be transferred to the debt service funds for payment of debt service on the bonds before any draw may be made on the Reserve Policy.

The following table summarizes the District's compliance with the debt service reserve requirement at December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Maintenance and replacement reserve	$ 116,846	$ 53,978
Accrued interest on long-term debt	-	-
Debt service reserve replacement	$ 116,846	$ 53,978

NOTE 3 – RESTRICTED NET POSITION

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

The following amounts are included in restricted net position at December 31, 2025 and 2024:

	2025	2024
Current reserve fund - USRDA	$ 143,400	$ 143,400
Debt payment account	79,007	94,390
Customer deposits - current	131,122	155,312
Account receivable - surcharge	1,207	1,207
Accrued interest payable	(5,188)	(5,901)
Portion of bonds payable	(41,000)	(39,000)
Maintenance and replacement	116,846	53,978
Portion of CD investments	43,894	108,762
Total restricted net position	$ 469,288	$ 512,148

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. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. 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	10-50 years
Furniture and fixtures	3-10 years
Machinery and equipment	5-25 years
Transportation equipment	3-13 years
Transmission lines and distribution systems	50 years

The capital asset balances at December 31, 2025 and 2024 are as follows:

Asset Type	Balance at December 31, 2024	Additions	Retirements	Balance at December 31, 2025
Land	$ 580,314	$ -	$ -	$ 580,314
Buildings and improvements	1,963,521	-	-	1,963,521
Construction in progress	208,874	423,052	(17,061)	614,865
Distribution reservoirs and standpipes	3,926,053	-	-	3,926,053
Furniture and fixtures	87,080	-	-	87,080
Hydrants	1,298,568	-	-	1,298,568
Meter system and installation	4,948,943	134,632	-	5,083,575
Other plant equipment	681,902	12,245	-	694,147
Transmission mains	16,348,206	13,866	-	16,362,072
Transportation equipment	367,264	-	-	367,264
Water treatment equipment	116,404	1,470	-	117,874
Subtotal	30,527,129	585,265	(17,061)	31,095,333
Accumulated depreciation	(14,513,058)	(606,931)	-	(15,119,989)
Capital Assets, net	$ 16,014,071	$ (21,666)	$ (17,061)	$ 15,975,344

NOTE 5 – BONDED INDEBTEDNESS

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 8

On October 19, 2005, the District sold $514,000 of revenue bonds for the purpose of funding its Phase 8 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	4.44%	$ 26,000	$ 7,407	$ 33,407
2027	4.465%	28,000	6,205	34,205
2028	4.465%	28,000	4,955	32,955
2029	4.490%	31,000	3,633	34,633
2030	4.590%	31,000	2,226	33,226
2031	4.590%	33,000	758	33,758
Totals		$ 177,000	$ 25,184	$ 202,184

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 10

On October 19, 2005, the District sold $290,000 of revenue bonds for the purpose of funding its Phase 10 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	4.440%	$ 15,000	$ 4,133	$ 19,133
2027	4.465%	15,000	3,465	18,465
2028	4.465%	16,000	2,773	18,773
2029	4.490%	17,000	2,034	19,034
2030	4.590%	18,000	1,239	19,239
2031	4.590%	18,000	413	18,413
Totals		$ 99,000	$ 14,057	$ 113,057

NOTE 6 – NOTES PAYABLE

Kentucky Infrastructure Authority - Drinking Water Supply Project 2003
On November 1, 2003, the District signed a note from the Kentucky Infrastructure Authority for $1,210,604 to fund waterline extension projects and the Mt. Zion water tank installation. Water system revenues serve as collateral for this loan. The note carries an interest rate of 3.0% and matures on June 1, 2024. Final payment was made in 2024.

Kentucky Infrastructure Authority – Drinking Water Supply Project 2010
During 2009, the District executed a drawdown loan with the Kentucky Infrastructure Authority for $2,192,700 to finance the Phase 6 waterline extension project. The final draw on this loan was taken on February 15, 2011. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 3.0% and matures on December 1, 2030. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	3.00%	$ 127,260	$ 19,332	$ 146,592
2027	3.00%	131,107	15,484	146,591
2028	3.00%	135,069	11,522	146,591
2029	3.00%	139,152	7,439	146,591
2030	3.00%	143,357	3,234	146,591
Totals		$ 675,945	$ 57,011	$ 732,956

Kentucky Infrastructure Authority – Drinking Water State Revolving Loan Fund 2012
During 2012, the District executed a drawdown loan with the Kentucky Infrastructure Authority for $1,796,300 to finance the Phase 12 500,000 gallon water tower storage tank. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 2.0% and matures on June 1, 2034. The final draw on this loan was deposited on October 23, 2014. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	2.00%	$ 92,849	$ 16,566	$ 109,415
2027	2.00%	94,716	14,699	109,415
2028	2.00%	96,619	12,796	109,415
2029	2.00%	98,562	10,853	109,415
2030	2.00%	100,542	8,873	109,415
2031-2034	2.00%	368,083	14,868	382,951
Totals		$ 851,371	$ 78,655	$ 930,026

Kentucky Infrastructure Authority - Drinking Water State Revolving Loan Fund 2015
On September 10, 2015, the District executed a drawdown loan with the Kentucky Infrastructure Authority in order to finance its Phase 14 looped lines. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 1.75% and matures on June 1, 2036. The final draw on this loan was deposited on August 25, 2016. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	1.75%	$ 11,605	$ 2,390	$ 13,995
2027	1.75%	11,808	2,187	13,995
2028	1.75%	12,016	1,979	13,995
2029	1.75%	12,227	1,768	13,995
2030	1.75%	12,442	1,553	13,995
2031-2035	1.75%	65,569	4,405	69,974
2036	1.75%	13,812	182	13,994
Totals		$ 139,479	$ 14,464	$ 153,943

NOTE 7 – INDEBTEDNESS SUMMARY

The changes in long-term indebtedness for 2025 are as follows:

Debt Instrument	Balance at December 31, 2024	Additions	Retirements	Balance at December 31, 2025
KRW series 2005B bonds - Phase 8	$ 202,000	$ -	$ (25,000)	$ 177,000
KRW series 2005B bonds - Phase 10	113,000	-	(14,000)	99,000
Construction loan - KIA	799,471	-	(123,526)	675,945
Construction loan -Phase 12 - KIA	942,391	-	(91,020)	851,371
Note payable - KIA 2015	150,883	-	(11,404)	139,479
Subtotal	2,207,745	$ -	$ (264,950)	1,942,795
Less: current portion of long-term debt	(264,950)			(272,714)
Total Long-Term Indebtedness	$ 1,942,795			$ 1,670,081

NOTE 8 - 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 $163,441 of which $163,441 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 $1,454,119 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 0.0257% of the total CERS non-hazardous duty employees. For the year ended December 31, 2025, the District recognized a pension benefit of $178,535 in addition to its $163,441 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	$ 47,388	$ -
Net difference between projected actual earnings on plan investments	-	(142,935)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(108,690)
Contributions subsequent to the measurement date	81,047	-
	$ 128,435	$ (251,625)

The District's contributions subsequent to the measurement date of $81,047 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	$ (51,445)
2027	(81,911)
2028	(46,447)
2029	(24,434)
2030	-
Thereafter	-
	$ (204,237)

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	$ 1,889,804	$ 1,429,432	$ 1,049,613
Total	$ 1,889,804	$ 1,429,432	$ 1,049,613

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

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 of $116,867 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 $24,687 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 0.0257%.

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	$ 80,068	$ (212,234)
Net difference between projected actual earnings on plan investments	-	(55,908)
Changes of assumptions	16,466	(14,135)
Changes in proportion and differences between contributions and proportionate share of contributions	2,153	(42,820)
Contributions subsequent to the measurement date	-	-
	$ 98,687	$ (325,097)

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	$ (119,730)
2027	(100,091)
2028	(5,197)
2029	(1,392)
2030	-
Thereafter	-
	$ (226,410)

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	$ 148,128	$ 24,687	$ (79,208)
Total	$ 148,128	$ 24,687	$ (79,208)

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	$ (57,051)	$ 24,687	$ 120,372
Total	$ (57,051)	$ 24,687	$ 120,372

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 9 – KENTUCKY PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY

During 1999, the District approved employee participation in a deferred compensation plan administered by the Kentucky Public Employees' Deferred Compensation Authority (Authority). The Authority is authorized under KRS 18A.230-18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school, and university employees and employees of local political subdivisions that have elected to participate. The District has elected to participate in Plan II, authorized under Section 401(k) of the United States Internal Revenue Code. The plan is funded 100% by payroll deductions from those employees who have elected to participate. The District makes the payroll deduction and then forwards the funds to the Authority.

NOTE 10 – RELATED PARTY TRANSACTIONS

The staff of the Bullock Pen Water District operates the Grant County Sewer District as well. The District receives a management fee from the Grant County Sewer District for these services. This fee was $257,694 and $226,483 in 2025 and 2024, respectively. The District has $26,591 and $47,157 in accounts receivable from Grant County Sanitary Sewer District at December 31, 2025 and 2024, respectively. The Chair of the Board of Commissioners and two other commissioners of the District serve on the boards of both the Bullock Pen Water District and the Grant County Sewer District.

NOTE 11 – ECONOMIC DEPENDENCY/CREDIT RISK

Bullock Pen Water District is a government agency operating with one office in Crittenden, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky.

NOTE 12 – CONCENTRATIONS

The District has agreements to purchase water from the cities of Walton and Williamstown, Kentucky, the Northern Kentucky Water District, and the Boone County Water District.

NOTE 13 – LITIGATION RISK

The District is currently a defendant in litigation regarding the maintenance of a dam. The District is insured against these types of damages and its insurance company is vigorously defending this litigation. The District expects no material judgments against the District in this case.

NOTE 14 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS IN CURRENT YEAR

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

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

NOTE 15 – 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 16 – SUBSEQUENT EVENTS

Management has considered subsequent events through June 3, 2026, which represents the date financial statements were available to be issued. The District did not have any events subsequent to December 31, 2025 through June 3, 2026 to disclose.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - 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)	0.02569%	0.02776%	0.02911%	0.02873%	0.03047%	0.03030%	0.02962%	0.02981%	0.02981%	0.029140%
Proportionate share of the net pension liability (asset)	$ 1,429,432	$ 1,660,405	$ 1,867,589	$ 2,077,185	$ 1,942,702	$ 2,324,062	$ 2,083,117	$ 1,831,050	$ 1,744,695	$ 1,434,946
Covered payroll in year of measurement (July - June)	$ 855,668	$ 871,647	$ 844,812	$ 794,244	$ 774,035	$ 780,408	$ 747,119	$ 745,154	$ 725,718	$ 695,170
Share of the net pension liability (asset) as a percentage of its covered payroll	167.05%	190.49%	221.07%	261.53%	250.98%	297.80%	278.82%	245.73%	240.41%	206.42%
Plan fiduciary net position as a percentage of total pension liability	65.34%	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	55.50%	59.97%

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	$ 163,441	$ 190,232	$ 204,982	$ 179,653	$ 153,285	$ 152,767	$ 135,077	$ 115,310	$ 101,240	$ 82,800
Actual contribution	$ 163,441	$ 190,232	$ 204,982	$ 179,653	$ 153,285	$ 152,767	$ 135,077	$ 115,310	$ 101,240	$ 82,800
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll in District's fiscal year (Jan. - Dec.)	$ 853,300	$ 883,112	$ 877,083	$ 807,126	$ 757,304	$ 791,539	$ 759,365	$ 751,353	$ 738,397	$ 702,547
Contributions as a percentage of covered payroll	19.15%	21.54%	23.37%	22.26%	20.24%	19.30%	17.79%	15.35%	13.71%	11.79%

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 8 in the Notes to the Financial Statements.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - 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)	0.02570%	0.02778%	0.02911%	0.02873%	0.03046%	0.03029%	0.02961%	0.03006%		
Proportionate share of the net OPEB liability (asset)	$ 24,687	$ (48,075)	$ (40,184)	$ 566,971	$ 583,199	$ 731,460	$ 498,044	$ 533,780		
Covered payroll in year of measurement (July - June)	$ 855,668	$ 871,647	$ 844,812	$ 794,244	$ 774,035	$ 780,408	$ 747,119	$ 745,154		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	2.89%	-5.52%	-4.76%	71.38%	75.35%	93.73%	66.66%	71.63%		
Plan fiduciary net position as a percentage of total OPEB liability	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	$ -	$ -	$ 15,286	$ 37,238	$ 39,934	$ 37,677	$ 38,010	$ 37,410	$ 36,647	
Actual contribution	$ -	$ -	$ (15,286)	$ (37,238)	$ (39,934)	$ (37,677)	$ (38,010)	$ (37,410)	(36,647)	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll in District's fiscal year (Jan. - Dec.)	$ 853,300	$ 883,112	$ 877,083	$ 807,126	$ 757,304	$ 791,539	$ 759,365	$ 751,353	$ 738,397	
Contributions as a percentage of covered payroll	0.00%	0.00%	1.74%	4.61%	5.27%	4.76%	5.01%	4.98%	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 8 in the Notes to the Financial Statements.

BULLOCK PEN WATER DISTRICT
SCHEDULES OF OPERATIONS, MAINTENANCE AND ADMINISTRATIVE EXPENSES
For the Years Ending December 31, 2025 and 2024

	2025	2024
Operations, maintenance and administrative expenses		
Salaries and wages - employees	$ 903,224	$ 910,192
Employee pension and benefits	436,739	533,086
Advertising	1,072	680
Bad debt expense	14,816	23,976
Chemicals	84,555	82,546
Commissioners' fees	13,000	12,800
Contractual services - accounting	50,845	49,051
Contractual services - engineering	7,210	40,642
Contractual services - legal	14,099	20,646
Contractual services - management	748	1,078
Contractual services - water test	16,385	16,343
Contractual services - other	113,116	120,410
Insurance - general liability	25,135	24,420
Insurance - other	1,659	1,536
Insurance - vehicle	16,426	14,870
Insurance - workers' compensation	6,103	6,148
Materials and supplies	330,088	287,836
Miscellaneous/discounts	(5,136)	1,652
Payroll taxes	65,750	68,383
Purchased power	115,211	110,542
Rental of property and equipment	5,155	4,300
Transportation	15,692	22,804
Utility regulatory assessment	8,568	7,745
Total operations, maintenance and administrative expenses	$ 2,240,460	$ 2,361,686

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
Bullock Pen Water District
Crittenden, 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 Bullock Pen 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 Bullock Pen Water District's basic financial statements, and have issued our report thereon dated June 3, 2026.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Bullock Pen 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 Bullock Pen Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bullock Pen 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 any deficiencies in internal control that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bullock Pen Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. Noncompliance 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.

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The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
June 3, 2026