

CORINTH WATER DISTRICT

FINANCIAL STATEMENTS

For Years Ending December 31, 2025 and 2024

CORINTH WATER DISTRICT

FINANCIAL STATEMENTS

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**CORINTH WATER DISTRICT
BOARD OF COMMISSIONERS**

December 31, 2025 and 2024

Chair

Dan Field

Treasurer

Cherish Kennedy

Secretary

Ashley Lauderman

Legal Counsel

Pete Whaley, Attorney at Law

INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
Corinth Water District
Corinth, Kentucky**

Opinions

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

Basis for 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 Corinth Water District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 Corinth 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 Corinth Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the Corinth 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 Corinth 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 Corinth Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
June 30, 2026

**CORINTH WATER DISTRICT
P.O. BOX 218
CORINTH, KY 41010**

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 \$1,129,833 (net position). Net position decreased by \$43,452 from the prior year.
- At the end of the current year, unrestricted net position was \$15,638, which is a decrease of \$49,556 from the prior year.

USING THIS ANNUAL REPORT

The financial statements presented herein include all of the activities of the District accounted for within a single proprietary (enterprise) reporting entity. The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements and supplemental schedules. 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.

The 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	\$ 332,552	\$ 395,689	\$ 356,826
Restricted assets	214,177	206,103	186,035
Capital assets	2,502,102	2,588,655	2,626,944
Deferred outflow of resources	80,681	75,016	82,561
Total assets and deferred outflow of resources	3,129,512	3,265,463	3,252,366
Current liabilities	53,268	52,973	38,993
Liabilities from restricted assets	84,583	80,000	80,000
Long-term liabilities	1,801,320	1,876,971	1,975,111
Deferred inflow of resources	60,508	82,234	115,145
Total liabilities and deferred inflow of resources	1,999,679	2,092,178	2,209,249
Net position:			
Invested in capital assets, net of related debt	900,018	901,988	860,277
Restricted	214,177	206,103	186,035
Unrestricted	15,638	65,194	(3,195)
Total net position	<u>\$ 1,129,833</u>	<u>\$ 1,173,285</u>	<u>\$ 1,043,117</u>

The District's net position for 2025 decreased by \$43,452, or 3.70%, as compared to an increase of \$130,168, or 12.5% in the previous year. The 2025 decrease is due to lower operating income, higher operating expenses, and a decrease in capital contributions.

The largest portion of the District's net position, \$900,018, 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 investments 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, \$214,177, is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

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

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

Operating revenues decreased \$14,331, or 1.54%. This was primarily due to a decrease in Residential Water Sales.

Operating Expenses

Operating expenses increased \$120,297 or 14.23%. The District experienced increases in salaries and payroll taxes, materials and supplies, and purchased water during 2025.

Net Effect of Change in Pension and OPEB Expense

This reduction in expense represents the amount of the District's proportionate share of the estimated unfunded pension and OPEB liability associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a reduction of a non-operating expense, \$20,284, is the result of booking the change in the liability and the related deferred inflows and outflows less any amortization of those inflows and outflows between December 31, 2025 and December 31, 2024. See Note 6 to the financial statements for a more complete explanation of this unfunded liability and the related deferred inflows and outflows.

Capital Contributions

Capital contributions decreased \$13,868 from 2025 to 2024.

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

Table 2
Changes in Net Position

	2025	2024	2023
Operating revenues:			
Water revenue	\$ 864,496	\$ 882,151	\$ 820,941
Forfeited discounts	45,268	44,992	43,585
Miscellaneous service revenues	7,796	4,748	5,354
Total operating revenues	917,560	931,891	869,880
Total operating expenses	965,561	845,264	807,318
Net operating income	(48,001)	86,627	62,562
Non-operating income (expense):			
Interest income	(106)	(150)	3
Net effect of change in pension and OPEB expense	20,284	45,331	14,929
Gain on disposal of asset	2,779	4,500	-
Amortization of bond costs	(1,825)	(1,825)	(1,825)
Interest on long-term obligations	(36,383)	(37,983)	(39,643)
Net non-operating income (expense)	(15,251)	9,873	(26,536)
Net income	(63,252)	96,500	36,026
Capital contributions	19,800	33,668	17,600
Change in net position	(43,452)	130,168	53,626
Net position, January 1	1,173,285	1,043,117	989,491
Net position, December 31	\$ 1,129,833	\$ 1,173,285	\$ 1,043,117

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2025, the District had \$2,502,102 invested in capital assets including land, water lines, vehicles, and equipment, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of \$86,553 from the prior year. This decrease is due to the fact that depreciation expense of \$171,212 exceeded 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	\$ 21,200	\$ 21,200	\$ 21,200
Construction in progress	-	49,519	-
Buildings and improvements	105,885	105,885	105,885
Lines and equipment	6,631,473	6,547,676	6,516,687
Office furniture and fixtures	27,498	27,498	24,048
Transportation equipment	97,060	65,563	51,573
Subtotal	6,883,116	6,817,341	6,719,393
Accumulated depreciation	(4,381,014)	(4,228,686)	(4,092,449)
Capital assets, net	<u>\$ 2,502,102</u>	<u>\$ 2,588,655</u>	<u>\$ 2,626,944</u>

The District currently has \$0 of construction in progress.

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
Bonds payable	\$ 1,686,667	\$ 1,766,667	\$ 1,846,667
Total outstanding debt	<u>\$ 1,686,667</u>	<u>\$ 1,766,667</u>	<u>\$ 1,846,667</u>

At year-end, the District had \$1,686,667 in outstanding debt compared to \$1,766,667 the previous year. This is a decrease of \$80,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Our budget for 2026 projects operating revenues to increase slightly from the amount reported for 2025. This is due to the fact that the District has worked on replacing a large number of meters that were not working properly. The operating expenses are projected to remain about the same as the amount reported for 2025 resulting in a slight increase in operating income. The District is projecting the non-operating income / expenses will be approximately the same as the amount reported for 2025. The overall projection for the year is a breakeven with little to no change in Net Position.

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's administrative office at 215 Thomas Lane, Corinth, Kentucky 41010.

Tara Wright

Tara Wright, Manager
Corinth Water District

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

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 97,578	\$ 169,227
Accounts receivable - customers, net of allowance	147,864	115,506
Inventories	85,374	109,173
Prepaid insurance	1,736	1,783
Total current assets	<u>332,552</u>	<u>395,689</u>
Restricted assets		
Reserve funds	60,600	60,600
Sinking funds	153,577	145,503
Total restricted assets	<u>214,177</u>	<u>206,103</u>
Capital assets		
Land, building, transmission system, equipment, and vehicles	6,883,116	6,767,822
Construction in progress	-	49,519
Total utility plant in service	6,883,116	6,817,341
Less accumulated depreciation	(4,381,014)	(4,228,686)
Total capital assets, net of depreciation	<u>2,502,102</u>	<u>2,588,655</u>
Total assets	3,048,831	3,190,447
Deferred outflow of resources		
Bond costs	34,671	36,496
Deferred outflows related to pension and OPEB	46,010	38,520
Total assets and deferred outflow of resources	<u>3,129,512</u>	<u>3,265,463</u>

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

(Continued on page 10)

CORINTH WATER DISTRICT STATEMENTS OF NET POSITION (continued from page 9) December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities		
Current liabilities		
Accounts payable - general	35,141	37,304
Customer deposits	4,240	4,840
Withheld and accrued liabilities	13,887	10,829
Total current liabilities	<u>53,268</u>	<u>52,973</u>
Current liabilities payable from restricted assets		
Bonds payable - Kentucky Bond Corporation	84,583	80,000
Total current liabilities payable from restricted assets	<u>84,583</u>	<u>80,000</u>
Long-term liabilities		
Bonds payable - Kentucky Bond Corporation	1,602,084	1,686,667
Net unfunded pension and OPEB liability	199,236	190,304
Total long-term liabilities	<u>1,801,320</u>	<u>1,876,971</u>
Total liabilities	1,939,171	2,009,944
Deferred inflow of resources		
Deferred inflow related to pension and OPEB	60,508	82,234
Total liabilities and deferred inflow of resources	<u>1,999,679</u>	<u>2,092,178</u>
Net position		
Invested in capital assets, net of related debt	900,018	901,988
Restricted	214,177	206,103
Unrestricted	15,638	65,194
Total net position	<u>\$ 1,129,833</u>	<u>\$ 1,173,285</u>

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

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

	<u>2025</u>	<u>2024</u>
Operating revenues		
Water revenue	\$ 864,496	\$ 882,151
Forfeited discounts	45,268	44,992
Miscellaneous service revenues	7,796	4,748
Total operating revenues	<u>917,560</u>	<u>931,891</u>
Operating expenses		
Salaries and wages - employees	162,510	131,461
Salaries and wages - Commissioners	13,946	13,946
Employee benefits	25,750	28,271
Retirement benefits	26,480	29,243
Payroll taxes	13,605	11,228
Bad debt expenses	20,479	16,305
Contractual services	79,124	94,275
Depreciation expenses	171,212	168,925
Education/training	3,213	2,005
Insurance expenses	10,678	11,467
Materials and supplies	81,282	64,483
Miscellaneous expenses	2,912	2,723
Purchased power	6,427	6,883
Purchased water	329,027	251,238
Taxes other than income taxes	1,486	1,352
Transportation expenses	17,430	11,459
Total operating expenses	<u>965,561</u>	<u>845,264</u>
Operating income	<u>(48,001)</u>	<u>86,627</u>
Non-operating income (expense)		
Interest income	(106)	(150)
Gain on disposal of asset	2,779	4,500
Net effect of change in pension and OPEB	20,284	45,331
Amortization of bond cost	(1,825)	(1,825)
Interest on long-term obligations	(36,383)	(37,983)
Net non-operating income (expense)	<u>(15,251)</u>	<u>9,873</u>
Net income	(63,252)	96,500
Capital contributions	<u>19,800</u>	<u>33,668</u>
Change in net position	(43,452)	130,168
Net position, January 1	<u>1,173,285</u>	<u>1,043,117</u>
Net position, December 31	<u><u>\$ 1,129,833</u></u>	<u><u>\$ 1,173,285</u></u>

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

CORINTH WATER DISTRICT STATEMENTS OF CASH FLOWS For Years Ending December 31, 2025 and 2024
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	2025	2024
Cash flows from operating activities		
Received from customers	\$ 885,202	\$ 908,110
Paid to suppliers for goods and services	(530,975)	(474,089)
Paid to or on behalf of employees for services	(239,233)	(213,289)
Net change in cash for operating activities	<u>114,994</u>	<u>220,732</u>
Cash flows from investing activities		
Interest on investments	(106)	(150)
Net change in cash for investing activities	<u>(106)</u>	<u>(150)</u>
Cash flows from capital and related financing activities		
Contributed capital received	19,800	33,668
Acquisition and construction of capital assets	(84,659)	(130,636)
Gain on disposal of asset	2,779	4,500
Interest on long-term debt	(36,383)	(37,983)
Payments on long-term debt	(80,000)	(80,000)
Net change in cash for capital and related financing activities	<u>(178,463)</u>	<u>(210,451)</u>
Change in cash and cash equivalents	(63,575)	10,131
Cash and cash equivalents-beginning of year	<u>375,330</u>	<u>365,199</u>
Cash and cash equivalents-end of year	<u>\$ 311,755</u>	<u>\$ 375,330</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (48,001)	\$ 86,627
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	171,212	168,925
Change in operating assets and liabilities		
Increase in receivables	(32,358)	(23,781)
Decrease (increase) in inventories	23,799	(27,708)
Decrease in prepaid assets	47	2,689
(Decrease) increase in accounts payable	(2,163)	12,680
Increase in withheld and accrued liabilities	3,058	860
(Decrease) increase in customer deposits	(600)	440
Net cash provided by operating activities	<u>\$ 114,994</u>	<u>\$ 220,732</u>
Supplemental information		
Interest paid	<u>\$ (36,383)</u>	<u>\$ (37,983)</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position		
Cash and cash equivalents - current	\$ 97,578	\$ 169,227
Cash - restricted	214,177	206,103
Cash and cash equivalents, December 31	<u>\$ 311,755</u>	<u>\$ 375,330</u>

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

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corinth Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Pendleton, and Harrison Counties in Kentucky. The District was created by the Grant County Court on January 11, 1965 under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

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 balance sheet. 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.

Allowance for Bad Debts

The District uses the allowance method to account for bad debts. The balances of the allowance for bad debts were \$19,750 and \$12,450 at December 31, 2025, and 2024, respectively.

Cash Equivalents

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

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024

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.

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. During 2025 and 2024 these contributions consisted of the following:

Source	2025	2024
Tap in fees and construction costs paid by new customers	\$ 19,800	\$ 33,668
Total capital contributions received in aid of construction	<u>\$ 19,800</u>	<u>\$ 33,668</u>

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, 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.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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Purchased Water Costs

The District is dependent on the City of Williamstown as its sole supplier of water. On September 1, 2004, the District signed an agreement with the City of Williamstown to extend this water service agreement for the next 42 years.

Income Tax Status

The District is exempt from federal and state income taxes since it is a political subdivision of the Grant County Court. 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

Deposits consist of checking and savings accounts and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statements of net position as “Cash and Cash Equivalents” and “Restricted Assets”. The balances for “Cash and Cash, Equivalents” were \$97,578 and \$169,227 at December 31, 2025 and 2024, respectively.

The balances for “Restricted Assets” were \$214,177 and \$206,103 at December 31, 2025 and 2024, respectively. The District’s investment policy allows investments only in the form of savings accounts and certificates of deposit at local banks in Grant County, Kentucky. The District holds funds at Forcht Bank. The FDIC insures bank deposits for amounts up to \$250,000 per banking institution. The District funds at Forcht Bank were fully collateralized at December 31, 2025.

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.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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The following amounts are included in restricted net position at December 31, 2025 and 2024:

	2025	2024
Reserve fund	\$ 60,600	\$ 60,600
Sinking fund	153,577	145,503
Total Restricted Net Position	<u>\$ 214,177</u>	<u>\$ 206,103</u>

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	10-40 years
Furniture and fixtures	5-20 years
Machinery and equipment	3-10 years
Transportation equipment	5 years
Transmission lines and distribution systems	10-40 years

The following amounts are included in capital assets at December 31, 2025 and 2024:

Asset Type	Balance at December 31, 2024	Additions	Retirements	Balance at December 31, 2025
Land	\$ 21,200	\$ -	\$ -	\$ 21,200
Construction in progress	49,519	-	(49,519)	-
Buildings and improvements	105,885	-	-	105,885
Distribution reservoirs and pipes	409,285	-	-	409,285
Furniture and fixtures	27,498	-	-	27,498
Hydrants	124,314	-	-	124,314
Meter system and installation	1,078,116	34,278	-	1,112,394
Supply mains	13,191	49,519	-	62,710
Tools and equipment	28,117	-	-	28,117
Transmission mains	4,894,653	-	-	4,894,653
Transportation equipment	65,563	50,381	(18,884)	97,060
Subtotal	6,817,341	134,178	(68,403)	6,883,116
Accumulated depreciation	(4,228,686)	(171,212)	18,884	(4,381,014)
Capital assets, net	<u>\$ 2,588,655</u>	<u>\$ (37,034)</u>	<u>\$ (49,519)</u>	<u>\$ 2,502,102</u>

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 – LONG TERM DEBT

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

Debt Instrument	Balance at December 31, 2024	Additions	Retirements	Balance at December 31, 2025
KY Bond Corporation	\$ 1,766,667	\$ -	\$ (80,000)	\$ 1,686,667
Subtotal	1,766,667	\$ -	\$ (80,000)	1,686,667
Less: current portion of long-term debt	(80,000)			(84,583)
Total Long-Term Indebtedness	<u>\$ 1,686,667</u>			<u>\$ 1,602,084</u>

Water Revenue Bonds, Kentucky Bond Corporation

On July 23, 2021, the District issued water revenue bonds in the amount of \$2,020,000. These bonds were issued to pay off the capital lease balance of \$1,916,821 previously held by the District. The interest rate is 2.576% per year. Interest is payable on the first day of each month. Principal installments mature in 2021 through 2045. Collateral includes water lines, meters, and pumping equipment of the District.

The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest & Fees Amount	Total Debt Service
2026	2.576%	\$ 84,583	\$ 39,450	\$ 124,033
2027	2.576%	85,000	37,547	122,547
2028	2.576%	89,583	35,635	125,218
2029	2.576%	90,000	33,619	123,619
2030	2.576%	94,583	31,594	126,177
2031-2035	2.576%	494,167	125,633	619,800
2036-2040	2.576%	466,668	69,173	535,841
2041-2045	2.576%	282,083	18,985	301,068
Totals		<u>\$ 1,686,667</u>	<u>\$ 391,636</u>	<u>\$ 2,078,303</u>

NOTE 6 – COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description – District employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("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-

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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
	<u>268,614</u>	<u>145,353</u>
Number of participating employers		<u>1,151</u>

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**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
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**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
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**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	5	None
57	Rule of 87	None

CORINTH WATER DISTRICT
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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						
Measurement Year	A	B	C	D	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Account
2025	9.89%	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned	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

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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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 \$26,480, of which \$26,480 was for the pension fund and \$0 was for the health insurance fund.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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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 \$195,874 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 0.00352% of the total CERS non-hazardous duty employees. For the year ended December 31, 2025, the District recognized a pension benefit of \$7,898 in addition to its \$26,480 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	\$ 6,494	\$ -
Net difference between projected actual earnings on plan investments	-	(19,586)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,081	(950)
Contributions subsequent to the measurement date	15,526	-
	<u>\$ 31,101</u>	<u>\$ (20,536)</u>

The District's contributions subsequent to the measurement date of \$15,526 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:

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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Measurement Year Ending June 30,	Net Deferral
2026	\$ 8,055
2027	(3,302)
2028	(6,365)
2029	(3,349)
2030	-
Thereafter	-
	<u>\$ (4,961)</u>

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*.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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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.

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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	Long Term
	Non-Hazardous Target Allocation	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	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Non-hazardous	\$ 258,958	\$ 195,874	\$ 143,827
Total	\$ 258,958	\$ 195,874	\$ 143,827

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

CORINTH WATER DISTRICT
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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

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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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 \$12,386 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 asset of \$3,362 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 0.00350%.

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

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	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 10,906	\$ (28,907)
Net difference between projected actual earnings on plan investments	-	(7,615)
Changes of assumptions	2,243	(1,925)
Changes in proportion and differences between contributions and proportionate share of contributions	1,759	(1,525)
Contributions subsequent to the measurement date	-	-
	<u>\$ 14,908</u>	<u>\$ (39,972)</u>

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	\$ (14,731)
2027	(11,960)
2028	912
2029	715
2030	-
Thereafter	-
	<u>\$ (25,064)</u>

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.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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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.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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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%

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

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	Long Term
	Non-Hazardous Target Allocation	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:

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2025 and 2024
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	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	\$ 20,176	\$ 3,362	\$ (10,788)
Total	\$ 20,176	\$ 3,362	\$ (10,788)

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		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ (7,771)	\$ 3,362	\$ 16,395
Total	\$ (7,771)	\$ 3,362	\$ 16,395

Plan Fiduciary Net Position

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

NOTE 7 – RELATED PARTY TRANSACTIONS

Tara Wright, the Manager of the Water District, acts as both the Manager of the Water District and the City Clerk of the City of Corinth. The District has normal business relations with the City of Corinth. Some minor reimbursable expenses have been paid by one entity and reimbursed by/to the other.

In August 2025, the District hired Chad Wright. Chad Wright is the husband of Tara Wright, Manager of the Water District.

NOTE 8 – RISKS/COMMITMENTS/CONTINGENCIES

Corinth Water District depends upon the credit given to a large group of individual customers. The revenue from individuals is significantly larger than the revenue from corporations. Therefore, there is considerably less cash flow risk from the failure of a single customer to pay.

NOTE 9 – 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 10 – FUTURE ACCOUNTING STANDARDS

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

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

NOTE 11 – ECONOMIC DEPENDENCY/CREDIT RISK

Corinth Water District is a government agency operating with one office in Corinth, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all its operating revenues from customers in Grant, Pendleton and Harrison Counties in Kentucky.

NOTE 12 - SUBSEQUENT EVENTS

Management has considered the need to recognize or disclose subsequent events through June 30, 2026, which represents the date on which the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2025 through June 30, 2026 to disclose.

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of net pension liability	0.00352%	0.00328%	0.00332%	0.00331%	0.00357%	0.00258%	0.00359%	0.00567%	0.00528%	0.00546%
Proportionate share of the net pension liability (asset)	\$ 195,874	\$ 195,978	\$ 213,028	\$ 239,497	\$ 227,807	\$ 197,730	\$ 252,275	\$ 345,016	\$ 309,172	\$ 268,880
Covered payroll in year of measurement (July - June)	143,009	101,930	96,370	91,624	91,265	66,035	90,479	140,419	128,604	130,276
Share of the net pension liability (asset) as a percentage of its covered payroll	136.97%	192.27%	221.05%	261.39%	249.61%	299.43%	278.82%	245.70%	240.41%	206.39%
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	\$ 26,480	\$ 29,243	\$ 23,390	\$ 20,687	\$ 17,991	\$ 17,706	\$ 7,717	\$ 22,038	\$ 17,940	\$ 16,180
Actual contribution	26,480	29,243	23,390	20,687	17,991	17,706	7,717	22,038	17,940	16,180
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll in District's fiscal year (Jan. - Dec.)	138,959	108,502	100,088	92,795	88,799	91,743	43,333	143,846	130,789	127,566
Contributions as a percentage of covered payroll	19.06%	26.95%	23.37%	22.29%	20.26%	19.30%	17.81%	15.32%	13.72%	12.68%

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

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

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of net pension liability	0.00350%	0.00328%	0.00332%	0.00331%	0.00357%	0.00258%	0.00359%	0.005670%		
Proportionate share of the net pension liability (asset)	\$ 3,362	\$ (5,674)	\$ (4,584)	\$ 65,383	\$ 68,384	\$ 62,227	\$ 60,315	\$ 100,581		
Covered payroll in year of measurement (July - June)	143,009	101,930	96,370	91,624	91,265	66,035	90,479	140,419		
Share of the net pension liability (asset) as a percentage of its covered payroll	2.35%	-5.57%	-4.76%	71.36%	74.93%	94.23%	66.66%	71.63%		
Plan fiduciary net position as a percentage of total pension liability	97.66%	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%		

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	\$ -	\$ -	\$ 1,682	\$ 4,246	\$ 4,692	\$ 4,367	\$ 2,168	\$ 7,150	\$ 6,491	
Actual contribution	-	-	1,682	4,246	4,692	4,367	2,168	7,150	6,491	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll in District's fiscal year (Jan. - Dec.)	138,959	108,502	100,088	92,795	88,799	91,743	43,333	143,846	130,789	
Contributions as a percentage of covered payroll	0.00%	0.00%	1.68%	4.58%	5.28%	4.76%	5.00%	4.97%	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 pension (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

**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
Corinth Water District
Corinth, 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 Corinth 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 Corinth Water District's basic financial statements and have issued our report thereon dated June 30, 2026.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Corinth Water District's internal control over financial reporting (internal control) to determine the 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 Corinth Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Corinth Water District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described below, that we consider significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Finding 2025-01 - Lack of Segregation of Duties

Condition: We noted that due to the size of the District and financial considerations, some of the executing and recording of transactions are performed by the same person.

Criteria: Segregation of duties is a necessary part of any system of internal control. Segregating the processes of authorizing, executing and recording transactions is essential.

Effect: Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District could be paid for from the District's cash account. The District has determined that the cost of mitigation is not justified when compared to the risk of the related transactions.

Recommendation: Due to the size of the District and other financial considerations, internal controls should be implemented, to the highest appropriate level, to segregate the duties of the personnel. Controls should then be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

Compliance and Other Matters

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

June 30, 2026