Wood Creek Water District

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Independent Auditors' Report
And Financial Statements
For the Years Ended
December 31, 2025 and 2024

Wood Creek Water District

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Independent Auditors' Report

To the Commissioners
Wood Creek Water District
London, Kentucky

Opinion

We have audited the accompanying financial statements of the business-type activities of Wood Creek Water District, (the District), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wood Creek 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 Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Proportionate Share of the Net OPEB Liability, Schedule of the District's Pension Contributions, and Schedule of the District's OPEB Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 an opinion on the financial statements that collectively comprise the Wood Creek Water District's basic financial statements. The departmental statements of net position, departmental statements of revenues, expenses and changes in net position, and departmental statements of cash flows 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 departmental financial statements 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 July 28, 2026, on our consideration of the 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 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 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 the District's internal control over financial reporting and compliance.

Abner & Cox, PLLC

Abner & Cox, PLLC
London, Kentucky

July 28, 2026

This discussion and analysis is intended to be an easily readable analysis of Wood Creek Water District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements and notes that follow. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

FINANCIAL HIGHLIGHTS

- In 2025, the District's net position increased by $1,379,457 or 9.81%, compared to an increase in 2024 of $1,487,070 or 11.81%.
- In 2025, operating revenues increased by $44,121 or 0.55%. In 2024, operating revenues increased by $109,329 or 1.38%.
- Operating expenses excluding depreciation increased by $767,248 or 15.42% in 2025 compared to a decrease of $2,099,795 or 29.67% in 2024.
- Additions to capital assets in 2025 were $1,541,299. In 2024, additions to capital assets amounted to $724,163.
- Principal payments on notes and long-term debt were $756,416 in 2025, and $620,278 in 2024.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of the management's discussion and analysis and the basic financial statements. The financial statements include notes that explain information included in the basic financial statements.

FINANCIAL STATEMENTS

The financial statements report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. *Over* time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying *event* giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The financial statements also include a statement of cash flows, which presents sources and uses of cash and changes in cash balances during the fiscal year.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

NET POSITION

A summary of the District's statement of net position as of December 31, 2025 and 2024 is presented below:

	2025 Amount	2024 Amount	Net Dollar Change	Percentage Change
Current assets	$ 4,457,617	$ 4,611,434	$ (153,817)	-3.34%
Noncurrent assets	554,985	546,626	8,359	1.53%
Capital assets, net of accumulated depreciation	29,998,546	29,735,602	262,944	0.88%
Total Assets	35,011,148	34,893,662	117,486	0.34%
Deferred outflows of resources	649,286	1,068,494	(419,208)	-39.23%
Total Deferred Outflows of Resources	649,286	1,068,494	(419,208)	-39.23%
Current liabilities	1,898,416	1,767,725	130,691	7.39%
Noncurrent liabilities	16,703,690	17,394,654	(690,964)	-3.97%
Total Liabilities	18,602,106	19,162,379	(560,273)	-2.92%
Deferred inflows of resources	1,618,938	2,739,848	(1,120,910)	-40.91%
Total Deferred Inflows of Resources	1,618,938	2,739,848	(1,120,910)	-40.91%
Net investment in capital assets	16,554,956	16,024,217	530,739	3.31%
Restricted net position	554,985	516,151	38,834	7.52%
Unrestricted net position	(1,670,551)	(2,480,439)	809,888	-32.65%
Total Net Position	$ 15,439,390	$ 14,059,929	$ 1,379,461	9.81%

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

A summary of the District's statement of revenues, expenses, and changes in net position for the years ended December 31, 2025 and 2024 is presented below:

	2025 Amount	2024 Amount	Net Dollar Change	Percentage Change
Operating revenue	$ 8,086,879	$ 8,042,758	$ 44,121	0.55%
Nonoperating revenue	837,607	232,802	604,805	259.79%
Total Revenue	8,924,486	8,275,560	648,926	7.84%
Depreciation expense	1,278,357	1,283,547	(5,190)	-0.40%
Other operating expense	5,744,139	4,976,891	767,248	15.42%
Nonoperating expense	522,533	528,052	(5,519)	-1.05%
Total Expense	7,545,029	6,788,490	756,539	11.14%
Changes in net position	1,379,457	1,487,070	(107,613)	-7.24%
Net position, beginning	14,059,933	12,572,863	1,487,070	11.83%
Net position, ending	$ 15,439,390	$ 14,059,933	$ 1,379,457	9.81%

CAPITAL ASSETS

On December 31, 2025, the District's investment in capital assets, net of depreciation, totaled $29,998,546, which is an increase of $262,944, or 0.88%, over the capital asset balance of $29,735,602 at December 31, 2024. This increase is attributable to additional fixed assets added in excess of depreciation expense for the year ended December 31, 2025.

LONG-TERM DEBT

As of December 31, 2025, the District had long-term debt of $13,443,590 compared to $13,711,385 at December 31, 2024, including the current portion. During the year ended December 31, 2025, the District paid $756,416 of principal payments on the notes and long-term debt compared to $620,278 in 2024.

CONTACT INFORMATION

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning this report or request for additional information should be addressed to the Office Manager, Dewayne Lewis, at Wood Creek Water District, London, Kentucky, 40741 or by calling (606) 878-9420.

Wood Creek Water District
Statements of Net Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 435,779	$ 746,425
Accounts receivable, less allowance	1,138,400	1,203,333
Unbilled accounts receivable	188,641	188,641
Inventories	2,690,711	2,468,949
Other current assets	4,086	4,086
Total Current Assets	4,457,617	4,611,434
Noncurrent Assets		
Restricted Assets		
Cash	554,985	533,160
Capital assets, net of depreciation	29,998,546	29,735,602
Bond discount, net of accumulated amortization	-	13,466
Total Noncurrent Assets	30,553,531	30,282,228
Total Assets	35,011,148	34,893,662
Deferred Outflows of Resources		
Deferred outflows from pensions	383,405	759,391
Deferred outflows from OPEB	265,881	309,103
Total Deferred Outflows of Resources	649,286	1,068,494

See accompanying notes to financial statements.

	2025	2024
Liabilities		
Current Liabilities		
Current portion of long-term debt	744,952	631,000
Accounts payable	483,688	407,452
Accrued interest	229,900	238,412
Customer deposits	12,615	12,360
Line of credit	296,927	386,222
Other current liabilities	130,334	92,279
Total Current Liabilities	1,898,416	1,767,725
Noncurrent Liabilities		
Notes payable, less current portion	12,698,638	13,080,385
Unamortized premium on debt	-	18,339
Net pension liability	3,937,058	4,424,018
Net OPEB liability (asset)	67,994	(128,088)
Total Noncurrent Liabilities	16,703,690	17,394,654
Total Liabilities	18,602,106	19,162,379
Deferred Inflows of Resources		
Deferred inflows from pensions	689,351	1,250,299
Deferred inflows from OPEB	929,587	1,489,549
Total Deferred Inflows of Resources	1,618,938	2,739,848
Net Position		
Net investment in capital assets	16,554,956	16,024,217
Restricted for:		
Debt service	544,817	504,323
Other purposes	10,168	11,828
Unrestricted	(1,670,551)	(2,480,439)
Total Net Position	$ 15,439,390	$ 14,059,929

Wood Creek Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Water services	$ 6,630,785	$ 6,495,142
Sewer services	988,992	1,170,947
Penalties and service fees	196,842	157,359
Tap-on fees	270,260	219,310
Total Operating Revenues	8,086,879	8,042,758
Operating Expenses		
Purchased water and power	463,343	452,256
Water treatment	1,857,248	2,007,545
Transmission and distribution	1,760,118	1,328,371
Administration of customer accounts	403,459	318,064
Administration and general	709,402	587,924
Pension and OPEB expense (benefit)	(483,646)	(614,074)
Sewer maintenance and treatment	1,034,215	896,805
Depreciation	1,278,357	1,283,547
Total Operating Expenses	7,022,496	6,260,438
Operating Income	1,064,383	1,782,320
Non-Operating Revenues (Expenses)		
Interest income	16,041	16,427
Grant income	821,566	120,000
Gain on sale of assets	-	96,375
Bond and interest expense	(510,233)	(516,005)
Other expense	(12,300)	(12,047)
Total Non-Operating Revenues (Expenses)	315,074	(295,250)
Change in Net Position	1,379,457	1,487,070
Beginning Net Position	14,059,933	12,572,863
Ending Net Position	$ 15,439,390	$ 14,059,933

See accompanying notes to financial statements.

Wood Creek Water District
Statements of Cash Flows
For the Year Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from user charges	$ 8,152,067	$ 8,093,532
Cash payments to employees for services	(2,829,611)	(2,542,929)
Cash payments for goods and services	(4,032,294)	(3,918,147)
Net Cash Provided by Operating Activities	1,290,162	1,632,456
Cash Flows From Capital Financing Activities		
Grant income	821,566	120,000
Acquisition and construction of capital assets	(1,541,299)	(724,163)
Proceeds from sale of capital assets	-	601,250
Proceeds from loans	399,326	3,000
Principal paid on loans	(756,416)	(620,278)
Interest and service fees paid on loans	(518,201)	(530,749)
Miscellaneous nonoperating expense	-	(12,047)
Net Cash Used by Capital Financing Activities	(1,595,024)	(1,162,987)
Cash Flows From Investing Activities		
Interest income	16,041	16,427
Net Cash Provided by Investing Activities	16,041	16,427
Net Increase (Decrease) in Cash and Cash Equivalents	(288,821)	485,896
Cash and Cash Equivalents at Beginning of Year	1,279,585	793,689
Cash and Cash Equivalents at End of Year	$ 990,764	$ 1,279,585
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 1,064,383	$ 1,782,320
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,278,357	1,283,547
Changes in assets and liabilities:		
Receivables	64,933	48,869
Inventory	(221,762)	(91,544)
Deferred pension & OPEB costs	(583,429)	2,457,159
Other liabilties	255	1,905
Accounts payable	76,236	(245,136)
Accrued expenses	38,055	(29,508)
Net pension & OPEB liabilities	(426,866)	(3,575,156)
Net Cash Provided by Operating Activities	$ 1,290,162	$ 1,632,456
Reconciliation of Cash and Cash Equivalents at End of Year		
Cash and cash equivalents	$ 435,779	$ 746,425
Restricted cash	554,985	533,160
Total Cash and Cash Equivalents at End of Year	$ 990,764	$ 1,279,585

See accompanying notes to financial statements.

Note 1 – Summary of Significant Accounting Policies

Nature of Organization and Operations

Wood Creek Water District, of Laurel County, Kentucky (the District) was created in 1969 under Chapter 74 of the Kentucky Revised Statutes and is exempt from income taxes under Section 501 (c)(4) of the Internal Revenue Code. The District is governed by a three-person board of Commissioners, which is appointed by the Laurel County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

Wood Creek Water District is a rural water utility system whose purpose is to establish, develop, and operate a water supply and distribution system for its members and customers in the eastern portion of Laurel County, Kentucky. The District's primary source of revenue is from water sales to its members and customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard- setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitute GAAP for governmental units. In addition, the District applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASS pronouncements to its business-type activities.

The statement of net position and statement of revenues, expenses and changes in net position display information about the District as a whole. These statements include all funds of the District. The statements distinguish between governmental and business-type activities. The District does not have any governmental activities.

As a proprietary fund, the financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash and investments), with maturities of 90 days or less to be cash equivalents. This includes bank certificates of deposit and demand checking accounts.

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed. Management provides for probable uncollectible amounts of accounts receivable through a charge to earnings and a credit to a valuation allowance based on an estimate calculated using a percentage of accounts more than 90 days past due. Accounts receivable are presented net of the allowance. At December 31, 2025 and 2024, the allowance for doubtful accounts was \$3,048 and \$3,048, respectively.

Unbilled receivables represent an estimate of revenue earned but not billed between the time that meters are last read in December and the last day of the fiscal year which is December 31.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded a prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expense is reported in the year in which services are consumed.

Capital Assets

Capital assets include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, and equipment that have a useful life of more than one reporting period based on the District's capitalization policy. The cost of additions to the utility plant and major replacements of retired property is capitalized, and the cost of repairs, maintenance, and minor replacements is recorded as expense. By District policy, capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life more than one year. Cost includes direct labor, outside services, materials, transportation employee fringe benefits, and overhead. Interest incurred during construction is capitalized. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from disposal is credited or recorded in the non-operating section of the statements of revenues, expenses, and changes in net assets. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The range of useful lives of assets is as follows:

Asset Classification	Range of Lives (in years)
Intangibles	40
Transmission and distributions mains	50
Structures and improvements	40
Pumping and water treatment equipment	25
Meters, hydrants and services	35-40
Other equipment	5-10

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds are used to finance the construction of assets.

Grants-in-Aid of Construction

Grants-in-aid of construction are accrued as qualifying expenditures are incurred. Such grants are recognized as revenue in the period earned.

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Payable

Accounts payable represent expenses incurred in the current year to be paid in the subsequent year. Most of the District's accounts payable are to vendors or for the purchase of water.

Long-Term Debt

Long-term debt is reported at face value. Issue costs relating to prepaid insurance, loan discounts, and loan premiums related to the issuance of debt are deferred and amortized over the term of the respective loans outstanding using the straight-line method. At December 31, 2025 and 2024, the unamortized value of loan premium was $0 and $18,339, respectively.

Compensated Absences

Vacation benefits are not accrued beyond any fiscal year. Sick leave benefits may be used to supplement an employee’s retirement if the employee is at retirement age or has at least twenty-six years and six months’ service. At December 31, 2025 and 2024, the District did not record any sick leave accrual and management feels that no sick leave benefits are currently payable.

Customer Deposits

The District collects and holds in escrow a $60 deposit from customers to ensure collection of its water charges. Interest at an annual rate of 1% is paid on these deposits.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Use of Estimates

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

Net Position

Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

> Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
>
> Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Unrestricted – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted components of net position.

The District would typically use restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Pensions and Other Post-Employment Benefits

For purposes of measuring net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plan's financial statements are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds. Investments are reported at fair value.

Note 2 – Restricted Cash

The District restricts all sinking fund deposits, funds required for other debt service, and funds related to specific projects or customer accounts. At December 31, 2025 and 2024, restricted cash amounted to $554,985 and $533,160, respectively. This includes restrictions for customer deposits of $10,168 and $10,686, respectively, and restrictions for debt service of $544,817 and $522,474, respectively.

Note 3 – Kentucky Revised Statute

In accordance with Kentucky Revised Statute (KRS) 66.480, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), the financial institution shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 66.480, the District is allowed to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest-bearing deposits of insured national or state banks.

Note 4 – Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2025 and 2024, $216,189 and $535,484, respectively, of the District's bank balances were exposed to custodial credit risk as follows:

Note 4 – Custodial Credit Risk – Deposits (Continued)

	2025	2024
Uninsured and uncollateralized	$ -	$ -
Uninsured and collateral held by pledging bank	216,189	535,484
Uninsured and collateral held by pledging bank's trust department not in the Commission's name	-	-
Total	$ 216,189	$ 535,484

Note 5 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2025:

Water Operations:	Balance December 31, 2024	Additions	Dispositions	Balance December 31, 2025
Historical Cost				
Land and imrovements	$ 3,981,116	$ -	$ -	$ 3,981,116
Construction in process	40,100	-	(40,100)	-
Intangible	21,836	-	-	21,836
Source of supply and pumping	2,069,539	-	-	2,069,539
Water treatment plant	16,610,249	-	-	16,610,249
Transmission and distribution plant	21,510,517	684,607	-	- 22,195,124
General plant	3,609,505	438,585	-	4,048,090
Total at Historical Cost	47,842,862	1,123,192	(40,100)	48,925,954
Less: Accumulated Depreciation				
Intangible	21,836	-	-	21,836
Source of supply and pumping	1,568,541	-	-	1,568,541
Water treatment plant	8,171,708	-	-	8,171,708
Transmission and distribution plant	10,629,180	1,008,189	-	11,637,369
General plant	3,110,390	-	-	3,110,390
Total Accumulated Depreciation	23,501,655	1,008,189	-	24,509,844
Net Capital Assets - Water	$ 24,341,207	$ 115,003	$ (40,100)	$ 24,416,110

Note 5 – Capital Assets (Continued)

Sewer Operations:	Balance December 31, 2024	Additions	Dispositions	Balance December 31, 2025
Historical Cost				
Land and imrovements	$ 61,508	$ -	$ -	$ 61,508
General plant	272,734	-	-	272,734
Collection plant	7,215,897	-	-	7,215,897
Pumping plant	4,512,865	458,208	-	4,971,073
Construction in progress	15,000	-	-	15,000
Total at Historical Cost	12,078,004	458,208	-	12,536,212
Less: Accumulated Depreciation				
General plant	272,734	4,758	-	277,492
Collection plant	3,431,711	124,645	-	3,556,356
Pumping plant	2,979,163	140,765	-	3,119,928
Total Accumulated Depreciation	6,683,608	270,168	-	6,953,776
Net Capital Assets - Sewer	$ 5,394,396	$ 188,040	$ -	$ 5,582,436
Net Capital Assets - Total	$ 29,735,603	$ 303,043	$ (40,100)	$ 29,998,546

The following is a summary of capital asset transactions for the year ended December 31, 2024:

Water Operations:	Balance December 31, 2023	Additions	Dispositions	Balance December 31, 2024
Historical Cost				
Land and imrovements	$ 4,365,992	$ 120,000	$ (504,875)	$ 3,981,117
Construction in process	40,100	-	-	40,100
Intangible	21,836	-	-	21,836
Source of supply and pumping	2,069,539	-	-	2,069,539
Water treatment plant	16,610,249	-	-	16,610,249
Transmission and distribution				-
plant	21,403,177	107,340	-	21,510,517
General plant	3,589,610	19,895	-	3,609,505
Total at Historical Cost	48,100,503	247,235	(504,875)	47,842,863
Less: Accumulated Depreciation				
Intangible	21,836	-	-	21,836
Source of supply and pumping	1,528,736	39,805	-	1,568,541
Water treatment plant	7,767,726	403,982	-	8,171,708
Transmission and distribution				
plant	10,227,277	401,903	-	10,629,180
General plant	2,935,532	174,858	-	3,110,390
Total Accumulated Depreciation	22,481,107	1,020,548	-	23,501,655
Net Capital Assets - Water	$ 25,619,396	$ (773,313)	$ (504,875)	$ 24,341,208

Note 5 – Capital Assets (Continued)

Sewer Operations:	Balance December 31, 2023	Additions	Dispositions	Balance December 31, 2024
Historical Cost				
Land and imrovements	$ 61,508	$ -	$ -	$ 61,508
General plant	272,734	-	-	272,734
Collection plant	7,052,699	163,198	-	7,215,897
Pumping plant	4,234,920	277,945	-	4,512,865
Construction in progress	15,000	-	-	15,000
Total at Historical Cost	11,636,861	441,143	-	12,078,004
Less: Accumulated Depreciation				
General plant	271,809	925	-	272,734
Collection plant	3,254,616	177,097	-	3,431,713
Pumping plant	2,894,186	84,977	-	2,979,163
Total Accumulated Depreciation	6,420,611	262,999	-	6,683,610
Net Capital Assets - Sewer	$ 5,216,250	$ 178,144	$ -	$ 5,394,394
Net Capital Assets - Total	$ 30,835,646	$ (595,169)	$ (504,875)	$ 29,735,602

Note 6 –Long-Term Debt

The District's long-term debt consists of bonds payable to Rural Development (RD) and Kentucky Rural Water Finance Corporation (KRWFC), which were obtained for various acquisitions of plant and equipment and to refinance a prior issue. The bonds mature annually in varying series over the period 2031 to 2061.

The District has a line of credit at a local bank in the amount of $400,000. Interest is due monthly at the rate of 7.5%. The line of credit matures July 19, 2026. At December 31, 2025, draws against the line of credit totaled $296,927.

Note 6 –Long-Term Debt (Continued)

The following is a summary of long-term debt activity for the year ended December 31, 2025:

	Balance December 31, 2024	Additions	Payments	Balance December 31, 2025	Due Within One Year
Payable to Rural Development, issue 91-13, original amount $7,250,000, maturity 1/1/2045, interest rate 4.25%	$ 5,351,000	$ -	$ (161,000)	$ 5,190,000	$ 168,000
Payable to Rural Development, issue 91-16, original amount $725,000, maturity 1/1/2045, interest rate 4.25%	532,000	-	(16,000)	516,000	17,000
Payable to Rural Development, issue 91-21, original amount $2,942,000, maturity 1/1/2061, interest rate 1.75%	2,784,885	-	(54,000)	2,730,885	55,000
Payable to KRWFC, issue 2005B, original amount $3,594,000, maturity 7/1/2031, interest rate 4.00%-4.50%	1,408,000	-	(176,000)	1,232,000	184,000
Payable to KRWFC, issue 2007A, original amount $2,086,000, maturity 7/1/2036, interest rate 4.05%-4.425%	1,166,000	-	(74,000)	1,092,000	77,000
Payable to KRWFC, issue 2015B, original amount $2,780,000, maturity 7/1/2038, interest rate 2.25%-3.50%	1,250,000	-	(135,000)	1,115,000	140,000
Payable to KRWFC, principal due 12/1/2027, interest due monthly at 5.5%.	404,500	5,500	-	410,000	-
Notes payable to Ford Motor Credit for vehicles, maturity in 2029 and various interest rates	-	393,826	(36,121)	357,705	88,952
Waste Water: Payable to Rural Development, issue 2018, original amount $896,000, maturity 1/1/2058, interest rate 4.00%	815,000	-	(15,000)	800,000	15,000
Total	$ 13,711,385	$ 399,326	$ (667,121)	$ 13,443,590	$ 744,952

Note 6 –Long-Term Debt (Continued)

The following is a summary of long-term debt activity for the year ended December 31, 2024:

	Balance December 31, 2023	Additions	Payments	Balance December 31, 2024	Due Within One Year
Payable to Rural Development, issue 91-13, original amount $7,250,000, maturity 1/1/2045, interest rate 4.25%	$ 5,505,000	$ -	$ (154,000)	$ 5,351,000	$ 161,000
Payable to Rural Development, issue 91-16, original amount $725,000, maturity 1/1/2045, interest rate 4.25%	547,500	-	(15,500)	532,000	16,000
Payable to Rural Development, issue 91-21, original amount $2,942,000, maturity 1/1/2061, interest rate 1.75%	2,837,885	-	(53,000)	2,784,885	54,000
Payable to KRWFC, issue 2005B, original amount $3,594,000, maturity 7/1/2031, interest rate 4.00%-4.50%	1,576,000	-	(168,000)	1,408,000	176,000
Payable to KRWFC, issue 2007A, original amount $2,086,000, maturity 7/1/2036, interest rate 4.05%-4.425%	1,239,000	-	(73,000)	1,166,000	74,000
Payable to KRWFC, issue 2015B, original amount $2,780,000, maturity 7/1/2038, interest rate 2.25%-3.50%	1,385,000	-	(135,000)	1,250,000	135,000
Payable to KRWFC, principal due 12/1/2027, interest due monthly at 5.5%	401,500	3,000	-	404,500	-
Waste Water: Payable to Rural Development, issue 2018, original amount $896,000, maturity 1/1/2058, interest rate 4.00%	829,500	-	(14,500)	815,000	15,000
Total	$ 14,321,385	$ 3,000	$ (613,000)	$ 13,711,385	$ 631,000

Note 6 –Long-Term Debt (Continued)

The aggregate annual debt service requirements on long-term debt at December 31, 2025 are summarized as follows:

Year Ended June 30	Principal	Interest and Servicing Fee	Total
2026	$ 744,952	$ 484,091	$ 1,229,043
2027	1,168,056	458,300	1,626,356
2028	778,212	409,410	1,187,622
2029	779,029	354,189	1,133,218
2030	672,000	381,978	1,053,978
2031-2035	2,753,500	1,389,886	4,143,386
2036-2040	2,322,500	925,007	3,247,507
2041-2045	2,399,000	488,217	2,887,217
2046-2050	541,500	171,356	712,856
2051-2055	598,500	104,460	702,960
2056-2060	585,000	64,242	649,242
2061-2064	101,341	1,786	103,127
	$ 13,443,590	$ 5,232,922	$ 18,676,512

Note 7 – Services Provided By Wood Creek Water District

Wood Creek Water District sells water for resale and provides maintenance, construction, and office services to West Laurel Water Association, Incorporated and East Laurel Water District. The actual costs of maintenance and construction services are accumulated in specific expense accounts and charges for services are netted against such expense accounts. Wood Creek Water District bills the related water companies for the materials.

At December 31, 2025 and 2024, the District had accounts receivable from East Laurel Water District and West Laurel Water Association, Incorporated as follows:

	2025	2024
East Laurel Water District:		
Accounts receivable	$ 279,813	$ 247,056
Accounts receivable - waste water	12,874	85,085
	$ 292,687	$ 332,141
West Laurel Water Association, Incorporated		
Accounts receivable	$ 208,897	$ 196,326
Accounts receivable - waste water	10,225	5,218
	$ 219,122	$ 201,544

Note 7 – Services Provided By Wood Creek Water District (Continued)

Amounts paid to Wood Creek Water District for water and services are as follows:

	2025	2024
East Laurel Water District:		
Purchased water	$ 1,708,026	$ 1,602,214
Materials, labor, and other	1,523,669	1,144,564
	$ 3,231,695	$ 2,746,778
West Laurel Water Association, Incorporated:		
Purchased water	$ 1,325,052	$ 1,366,590
Materials, labor, and other	1,389,279	1,172,742
	$ 2,714,331	$ 2,539,332

Note 8 – Retirement Plan

Wood Creek Water District is a participating employer of the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Public Pensions Authority (KPPA) administers CERS, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630. The assets of the system are segregated by plan (KERS, CERS, and SPRS), where each system's assets are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs. The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be downloaded from the Kentucky Public Pensions Authority website (kyret.ky.gov).

Plan Description

CERS is a cost sharing, multiple-employer, defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of each participating state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate in the System.

Benefits Provided

The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the Plan documents. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions

Funding for the plan is provided through payroll withholdings and contributions by the District. All employees meeting the requirements for membership are required to contribute a percentage of their gross wages. For the years ended December 31, 2025 and 2024, plan members in non-hazardous positions were required to contribute 5% of the employee's total compensation subject to contribution.

Note 8 – Retirement Plan (Continued)

Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565, normal contribution and past service contribution rates shall be determined by the KPPA Board of Trustees on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of July 1 of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements in accordance with the actuarial basis adopted by the Board. The District's required contribution rates for the year ended December 31, 2025 were 19.71% (January through June 2025) and 18.62% (July through December 2025). The District's required contribution rates for the year ended December 31, 2024 were 23.34% (January through June 2024) and 19.71% (July through December 2024). Required contribution rates were actuarially determined and adopted by the KPPA Board of Trustees. Administrative costs of the KPPA are financed through employer contributions and investment earnings.

Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. A Cash Balance Plan resembles a defined contribution plan because it determines the value of benefits for each participant based on individual accounts. However, the assets of the plan remain in a single investment pool like a traditional defined benefit plan. A Cash Balance Plan resembles a defined benefit plan since it uses a specific formula to determine benefits. Members and employers contribute specified percentages of the member's wages each month to the member's account. Non-hazardous plan members are required to contribute 5% of wages to their individual account. All members are required to contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. Each month, when employer contributions are received, an Employer Pay Credit is deposited to the member's account.

For non-hazardous members, their account is credited with a 4% Employer Pay Credit. The Employer Pay Credit represents a portion of the employer contribution. The account earns a guaranteed amount of interest, 4% on both the member contributions and the Employer Pay Credit balance, at the end of each fiscal year. If the member contributed to the plan during the fiscal year, there may be additional interest credit added to the member's account depending on KPPA's investment returns. This "upside" interest sharing is based on the 5-year average geometric investment return. If it exceeds 4% the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year.

Contributions (Continued)

The District's payroll for the years ended December 31, 2025, 2024, and 2023 was $2,606,127, $2,355,077, and $2,298,365, respectively, all of which was covered by CERS. The District's contribution requirements for CERS for the years ended December 31, 2025, 2024, and 2023 were $498,545 ($498,545 allocated to the CERS pension fund and $0 allocated to the CERS insurance fund) $505,211 ($505,211 allocated to the CERS pension fund and $0 allocated to the CERS insurance fund), and $649,221 ($567,069 allocated to the CERS pension fund and $82,152 allocated to the CERS insurance fund), respectively. The District contributed 100% of their required contributions for the years ended December 31, 2025, 2024, and 2023.

Note 8 – Retirement Plan (Continued)

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

At December 31, 2025 and 2024, the District reported a liability of $3,937,058 and $4,424,018, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 2024, respectively, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of those dates. 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 plan members, as actuarially determined. At the June 30, 2025 and 2024 measurement dates, the District's proportion was 0.070752% and 0.073975%, respectively.

For financial reporting, the actuarial valuation as of June 30, 2025, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and 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 valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2024. Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-relataed disability. The total pension liability as of June 30, 2025 is determined using these updated benefit provisions. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous and hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS Non-hazardous and hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The District recognized pension expense (benefit) of $(195,955) and $(56,151) for the years ended December 31, 2025 and 2024, respectively.

Note 8 – Retirement Plan (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 130,521	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	393,683
Changes in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	295,668
Employer contributions subsequent to the measurement date	252,884	-
Total	$ 383,405	$ 689,351

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to experience gains/losses, the impact of changes in actuarial assumptions, changes in the employer's proportionate share of net pension liability, and differences between employer contributions and the proportionate share of contributions are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year.

The $252,884 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2026	$ (175,462)
2027	(188,142)
2028	(127,927)
2029	(67,299)
2030	-
Thereafter	-
Total	$ (558,830)

Note 8 – Retirement Plan (Continued)

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

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 214,131	$ 588,271
Net difference between projected and actual investment earnings on pension plan investments	303,831	199,879
Changes in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	462,149
Employer contributions subsequent to the measurement date	241,429	-
Total	$ 759,391	$ 1,250,299

Actuarial Assumptions

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

Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service, for CERS non-hazardous
Investment Rate of Return	6.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 8 – Retirement Plan (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**68.50%**	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	**11.50%**	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	**20.00%**	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	**100.00%**	**5.00%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**7.30%**

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's net pension liability	$ 5,205,054	$ 3,937,058	$ 2,890,931

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

Note 9 –OPEB Plan

As a participating employer of the County Employees' Retirement System (CERS), the District also participates in the County Employees Retirement System Insurance Fund (Insurance Fund). Under the provisions of Kentucky Revised Statute Sections 61.645 and 61.701, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the Kentucky Retirement Systems Insurance Fund (KERS), County Employees Retirement System (CERS) and State Police Retirement System (SPRS). The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds. The assets of the Insurance Fund are also segregated by plan. The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be downloaded from the Kentucky Public Pensions Authority website.

Plan Description

CERS Insurance Fund is a cost sharing, multiple-employer, defined benefit Other Postemployment Benefits (OPEB) plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of each participating state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate in the System.

Plan Membership

The net OPEB liability was calculated based on the Insurance plan membership as of June 30, 2024:

Membership Status	Non-Hazardous
Inactive plan members currently receiving benefits	38,993
Inactive plan members entitled to but not yet receving benefits	26,288
Active plan members	80,072
Total Membership	145,353

Benefits Provided

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KPPA 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 a proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. The amount of contribution paid by the Insurance Fund is based on years of service. Additional details can be found in the publicly available KPPA Comprehensive Annual Financial Report which may be downloaded from the KPPA website.

Contributions

Funding for the plan is provided through payroll withholdings and contributions by the District. See Note 8 for a description of the District's covered payroll and contribution requirements as well as the breakdown of contributions between the pension and insurance funds.

Note 9 –OPEB Plan (Continued)

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

At December 31, 2025 and 2024 the District reported a liability (asset) of $67,994 and $(128,088), respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025 and 2024, respectively, and the total OPEB liability used to calculate net OPEB liability was determined by an actuarial valuation as of those dates. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating plan members, as actuarially determined. At the June 30, 2025 and 2024 measurement dates, the District's proportion was 0.070796% and 0.074048%, respectively.

For financial reporting the actuarial valuation as of June 30, 2025 was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and 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 valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025, using generally accepted actuarial principles. The KPPA Board adopted new actuarial assumptions since June 30, 2024. These assumptions can be readily obtained from KPPA's 2024 Annual Report.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2025:

Valuation Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous

The long-term expected return was determined by using the building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same as those adopted for the CERS Pension Plan and are summarized in the table in Note 8.

Note 9 –OPEB Plan (Continued)

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

The District recognized OPEB expense (benefit) of $(287,691) and $(557,923) for the years ended December 31, 2025 and 2024, respectively. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 220,530	$ 584,553
Changes of assumptions	45,351	38,932
Net difference between projected and actual earnings on OPEB plan investments	-	153,988
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	152,114
Employer contributions subsequent to the measurement date	-	-
Total	$ 265,881	$ 929,587

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to experience gains/losses, the impact of changes in actuarial assumptions, changes in the employer's proportionate share of net OPEB liability, and differences between employer contributions and the proportionate share of contributions are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year.

The $0 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2026	$ (342,153)
2027	(301,659)
2028	(20,522)
2029	628
2030	-
Thereafter	-
Total	$ (663,706)

Note 9 –OPEB Plan (Continued)

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

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,062	$ 1,007,803
Changes of assumptions	116,063	90,380
Net difference between projected and actual earnings on OPEB plan investments	112,593	229,481
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,385	161,885
Employer contributions subsequent to the measurement date	-	-
Total	$ 309,103	$ 1,489,549

Investment Policy

Kentucky Revised Statute 61.650 grants the responsibility for the investment of plan assets to the Board of the Kentucky Pension Plan Authority. The Board has established an Investment Committee which is specifically charged with the oversight and investment of plan assets. The Investment Committee recognizes their duty to invest the funds in accordance with the “Prudent Person Rule” (set forth in Kentucky Revised Statute 61.650) and manage those funds consistent with the long-term nature of the systems. The Investment Committee has adopted an Investment Policy Statement (IPS) that contains guidelines and restrictions for deposits and investments. By statute, all investments are to be registered and held in the name of Kentucky Retirement Systems. The IPS contains the specific guidelines for the investment of Pension and Insurance assets. The target allocation and best estimates of arithmetic real rates of return for each major asset class adopted by the KPPA Board for the Insurance Plan are the same as those adopted for the CERS Pension Plan (See Note 8).

Net OPEB Liability

The components of the net OPEB liability of the participating employers in the CERS Non-Hazardous System and the District’s proportionate share at June 30, 2025 were as follows:

	Total CERS Non-Hazardous System	District's Proportionate Share
Total OPEB liability	$ 4,107,333,000	$ 2,907,992
Plan fiduciary net position	(4,011,291,000)	(2,839,998)
Employers' Net OPEB Liability (Asset)	$ 96,042,000	$ 67,994
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	97.66%	97.66%

-

Note 9 –OPEB Plan (Continued)

Actuarial Methods and Assumptions

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, 2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Discount Rate

The discount rate used to measure the total OPEB liability increased from 5.99% to 6.26%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20–Year Municipal GO AA Index" as of June 30, 2024.

Note 9 –OPEB Plan (Continued)

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.26 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.26 percent) or 1-percentage-point higher (7.26 percent) than the current rate:

	1% Decrease (5.26%)	Current Discount Rate (6.26%)	1% Increase (7.26%)
District's proportionate share of net OPEB liability (asset)	$ 407,986	$ 67,994	$ (218,161)

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability (asset)	$ (157,135)	$ 67,994	$ 331,539

Note 10 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 11 – Subsequent Events

Management has evaluated subsequent events through July 28, 2026, the date on which the financial statements were available to be issued.

Wood Creek Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employee's Retirement System (CERS) Pension Plan
Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability (asset)	0.070752%	0.073975%	0.083485%	0.090000%	0.090000%	0.080000%	0.080000%	0.070000%	0.070000%	0.080000%
District's proportionate share of the net pension liability (asset)	$ 3,937,058	$ 4,424,018	$ 5,356,822	$ 6,183,337	$ 5,461,369	$ 6,411,821	$ 5,569,398	$ 4,535,815	$ 4,320,560	$ 3,501,830
District's covered-employee payroll	$ 2,472,901	$ 2,323,830	$ 2,298,365	$ 2,298,365	$ 2,368,007	$ 2,492,836	$ 2,339,030	$ 2,126,922	$ 2,025,425	$ 1,746,491
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	159.21%	190.38%	233.07%	269.03%	230.63%	257.21%	238.11%	213.26%	213.32%	200.51%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	61.61%	52.42%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%

Source: Kentucky Retirement Systems

Notes: There were no changes in benefit terms, size or composition of the population covered by the benefit terms since the prior year. See the notes to the financial statements for a description of changes in actuarial assumptions from the prior year.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

Wood Creek Water District
Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employee's Retirement System (CERS) OPEB Plan
Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.070796%	0.074048%	0.083482%	0.090000%	0.090000%	0.080000%	0.080000%	0.070000%	0.070000%
District's proportionate share of the total OPEB liability (asset)	$ 2,907,992	$ 2,615,380	$ 2,721,770	$ 4,548,148	$ 4,645,126	$ 3,997,047	$ 3,401,173	$ 2,932,724	$ 2,956,014
District's proportionate share of the plan fiduciary net position	(2,839,998)	(2,743,468)	(2,837,031)	(2,860,399)	(3,005,629)	(2,665,477)	(2,069,603)	(1,610,471)	(1,472,100)
District's proportionate share of the net OPEB liability (asset)	$ 67,994	$ (128,088)	$ (115,261)	$ 1,687,749	$ 1,639,497	$ 1,331,570	$ 1,331,570	$ 1,322,253	$ 1,483,914
Plan fiduciary net position as a percentage of the total OPEB liability	97.66%	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
District's covered-employee payroll	$ 2,472,901	$ 2,323,830	$ 2,298,365	$ 2,298,365	$ 2,368,007	$ 2,492,836	$ 2,339,030	$ 2,126,922	$ 2,025,425
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	2.75%	-5.51%	-5.01%	73.43%	69.24%	53.42%	56.93%	62.17%	73.26%

Source: Kentucky Retirement Systems

Notes: There were no changes in benefit terms, size or composition of the population covered by the benefit terms since the prior year. See the notes to the financial statements for a description of changes in actuarial assumptions from the prior year.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

Wood Creek Water District
Schedule of the District's Pension Contributions
County Employee's Retirement System (CERS) Pension Plan
Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 464,514	$ 542,382	$ 567,069	$ 537,817	$ 501,307	$ 481,117	$ 451,433	$ 377,438	$ 301,121	$ 317,211
Contributions in relation to the contractually required contribution	(464,514)	(542,382)	(567,069)	(537,817)	(501,307)	(481,117)	(451,433)	(377,438)	(301,121)	(317,211)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,472,901	$ 2,323,830	$ 2,298,365	$ 2,298,365	$ 2,368,007	$ 2,492,836	$ 2,339,030	$ 2,126,922	$ 2,025,425	$ 1,746,491
Contributions as a percentage of covered-employee payroll	18.78%	23.34%	24.67%	23.40%	21.17%	19.30%	19.30%	17.75%	14.87%	18.16%

Source: Kentucky Retirement Systems

Notes: There were no changes in benefit terms, size or composition of the population covered by the benefit terms since the prior year. See the notes to the financial statements for a description of changes in actuarial assumptions from the prior year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

Wood Creek Water District

Schedule of the District's OPEB Contributions

County Employee's Retirement System (CERS) Pension Plan

Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ -	$ -	$ 82,152	$ 77,915	$ 136,871	$ 118,659	$ 111,338	$ 122,400	$ 97,739
Contributions in relation to the actuarially determined contribution	-	-	(82,152)	(77,915)	(136,871)	(118,659)	(111,338)	(122,400)	(97,739)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,472,901	$ 2,323,830	$ 2,298,365	$ 2,298,365	$ 2,368,007	$ 2,492,836	$ 2,339,030	$ 2,126,922	$ 2,025,425
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	3.57%	3.39%	5.78%	4.76%	4.76%	5.75%	4.83%

Source: Kentucky Retirement Systems

Notes: There were no changes in benefit terms, size or composition of the population covered by the benefit terms since the prior year. See the notes to the financial statements for a description of changes in actuarial assumptions from the prior year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

Wood Creek Water District
Departmental Statements of Net Position - Water Fund
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 413,657	$ 715,093
Accounts receivable, less allowance	906,319	853,207
Unbilled accounts receivable	188,641	188,641
Inventories	1,782,359	1,566,263
Due from other funds	321,782	156,455
Other current assets	4,086	4,086
Total Current Assets	3,616,844	3,483,745
Noncurrent Assets		
Restricted Assets		
Cash	554,985	533,160
Capital assets, net of depreciation	24,416,110	24,341,208
Bond discount, net of accumulated amortization	-	13,466
Total Noncurrent Assets	24,971,095	24,887,834
Total Assets	28,587,939	28,371,579
Deferred Outflows of Resources		
Deferred outflows from pensions	383,405	759,391
Deferred outflows from OPEB	265,881	309,103
Total Deferred Outflows of Resources	649,286	1,068,494

Wood Creek Water District
Departmental Statements of Net Position - Water Fund (Continued)
December 31, 2025 and 2024

	2025	2024
Liabilities		
Current Liabilities		
Current portion of long-term debt	729,952	616,500
Accounts payable	350,387	314,285
Accrued interest	218,900	227,254
Customer deposits	12,615	12,360
Line of credit	296,927	386,222
KRWFC interim financing	-	-
Due to other funds	74,657	98,140
Other current liabilities	130,334	92,279
Total Current Liabilities	1,813,772	1,747,040
Noncurrent Liabilities		
Notes payable, less current portion	11,913,638	12,279,885
Unamortized premium on debt	-	18,339
Net pension liability	3,937,058	4,424,018
Net OPEB liability (asset)	67,994	(128,088)
Total Noncurrent Liabilities	15,918,690	16,594,154
Total Liabilities	17,732,462	18,341,194
Deferred Inflows of Resources		
Deferred inflows from pensions	689,351	1,250,299
Deferred inflows from OPEB	929,587	1,489,549
Total Deferred Inflows of Resources	1,618,938	2,739,848
Net Position		
Net investment in capital assets	11,772,520	11,444,823
Restricted for:		
Debt service	544,817	522,474
Other purposes	10,168	10,686
Unrestricted	(2,441,680)	(3,618,952)
Total Net Position	$ 9,885,825	$ 8,359,031

Wood Creek Water District
Departmental Statements of Revenues, Expenses and Changes in Net Position - Water Fund
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Water services	$ 6,630,785	$ 6,495,142
Penalties and service fees	160,948	138,434
Tap-on fees	59,620	64,310
Total Operating Revenues	6,851,353	6,697,886
Operating Expenses		
Purchased water and power	436,620	428,431
Water treatment	1,857,248	2,007,545
Transmission and distribution	1,760,118	1,328,371
Administration of customer accounts	403,459	318,064
Administration and general	679,674	557,966
Pension and OPEB expense (benefit)	(483,646)	(614,074)
Depreciation	1,008,189	1,020,548
Total Operating Expenses	5,661,662	5,046,851
Operating Income	1,189,691	1,651,035
Non-Operating Revenues (Expenses)		
Interest income	16,021	16,399
Grant income	821,566	120,000
Gain on sale of assets	-	96,375
Bond and interest expense	(488,184)	(493,592)
Other expense	(12,300)	(12,047)
Total Non-Operating Revenues (Expenses)	337,103	(272,865)
Change in Net Position	1,526,794	1,378,170
Beginning Net Position	8,359,031	6,980,861
Ending Net Position	$ 9,885,825	$ 8,359,031

Wood Creek Water District
Departmental Statements of Cash Flows - Water Fund
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from user charges	$ 6,798,496	$ 6,649,219
Cash payments to employees for services	(2,327,346)	(2,040,664)
Cash payments for goods and services	(3,478,361)	(3,318,244)
Net Cash Provided by Operating Activities	992,789	1,290,311
Cash Flows From Capital Financing Activities		
Grant income	821,566	120,000
Acquisition and construction of capital assets	(1,083,092)	(283,020)
Proceeds from sale of capital assets	-	601,250
Loans to/from sewer fund	(188,811)	(138,945)
Proceeds from loans	399,326	3,000
Principal paid on loans	(741,416)	(605,778)
Interest and service fees paid on loans	(495,994)	(508,138)
Miscellaneous nonoperating expense	-	(12,047)
Net Cash Used by Capital Financing Activities	(1,288,421)	(823,678)
Cash Flows From Investing Activities		
Interest income	16,021	16,399
Net Cash Provided by Investing Activities	16,021	16,399
Net Increase (Decrease) in Cash and Cash Equivalents	(279,611)	483,032
Cash and Cash Equivalents at Beginning of Year	1,248,253	765,221
Cash and Cash Equivalents at End of Year	$ 968,642	$ 1,248,253
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 1,189,691	$ 1,651,035
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,008,189	1,020,548
Changes in assets and liabilities:		
Receivables	(53,112)	(50,572)
Inventory	(216,096)	(10,339)
Deferred pension & OPEB costs	(583,429)	2,457,159
Other liabilties	255	1,905
Accounts payable	36,102	(174,761)
Accrued expenses	38,055	(29,508)
Net pension & OPEB liabilities	(426,866)	(3,575,156)
Net Cash Provided by Operating Activities	$ 992,789	$ 1,290,311
Reconciliation of Cash and Cash Equivalents at End of Year		
Cash and cash equivalents	$ 413,657	$ 715,093
Restricted cash	554,985	533,160
Total Cash and Cash Equivalents at End of Year	$ 968,642	$ 1,248,253

See independent auditors' report.

Wood Creek Water District
Departmental Statements of Net Position - Sewer Fund
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 22,122	$ 31,332
Accounts receivable, less allowance	232,081	350,126
Inventories	908,352	902,686
Due from other funds	74,656	98,140
Total Current Assets	1,237,211	1,382,284
Noncurrent Assets		
Capital assets, net of depreciation	5,582,436	5,394,394
Total Noncurrent Assets	5,582,436	5,394,394
Total Assets	$ 6,819,647	$ 6,776,678
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 15,000	$ 14,500
Accounts payable	133,301	93,167
Accrued interest	11,000	11,158
Due to other funds	321,782	156,455
Total Current Liabilities	481,083	275,280
Noncurrent Liabilities		
Long-term debt, less current portion	785,000	800,500
Total Noncurrent Liabilities	785,000	800,500
Total Liabilities	1,266,083	1,075,780
Net Position		
Net investment in capital assets	4,782,436	4,579,394
Unrestricted	771,128	1,121,504
Total Net Position	$ 5,553,564	$ 5,700,898

Wood Creek Water District
Departmental Statements of Revenues, Expenses and Changes in Net Position - Sewer Fund
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Sewer services	$ 988,992	$ 1,170,947
Penalties and service fees	35,894	18,925
Tap-on fees	210,640	155,000
Total Operating Revenues	1,235,526	1,344,872
Operating Expenses		
Purchased water and power	26,723	23,825
Administration and general	29,728	29,958
Sewer maintenance and treatment	1,034,215	896,805
Depreciation	270,168	262,999
Total Operating Expenses	1,360,834	1,213,587
Operating Income	(125,308)	131,285
Non-Operating Revenues (Expenses)		
Interest income	20	28
Grant income	-	-
Gain on sale of assets	-	-
Bond and interest expense	(22,049)	(22,413)
Other expense	-	-
Total Non-Operating Revenues (Expenses)	(22,029)	(22,385)
Change in Net Position	(147,337)	108,900
Beginning Net Position	5,700,898	5,591,998
Ending Net Position	$ 5,553,564	$ 5,700,898

Wood Creek Water District
Departmental Statements of Cash Flows - Sewer Fund
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from user charges	$ 1,353,571	$ 1,444,313
Cash payments to employees for services	(502,265)	(502,265)
Cash payments for goods and services	(553,933)	(599,903)
Net Cash Provided by Operating Activities	297,373	342,145
Cash Flows From Noncapital Financing Activities	-	-
Cash Flows From Capital Financing Activities		
Acquisition and construction of capital assets	(458,207)	(441,143)
Loans to/from sewer fund	188,811	138,945
Principal paid on loans	(15,000)	(14,500)
Interest and service fees paid on loans	(22,207)	(22,611)
Net Cash Used by Capital Financing Activities	(306,603)	(339,309)
Cash Flows From Investing Activities		
Interest income	20	28
Net Cash Provided by Investing Activities	20	28
Net Increase (Decrease) in Cash and Cash Equivalents	(9,210)	2,864
Cash and Cash Equivalents at Beginning of Year	31,332	28,468
Cash and Cash Equivalents at End of Year	$ 22,122	$ 31,332
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ (125,308)	$ 131,285
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	270,168	262,999
Changes in assets and liabilities:		
Receivables	118,045	99,441
Inventory	(5,666)	(81,205)
Accounts payable	40,134	(70,375)
Net Cash Provided by Operating Activities	$ 297,373	$ 342,145
Reconciliation of Cash and Cash Equivalents at End of Year		
Cash and cash equivalents	$ 22,122	$ 31,332
Restricted cash	-	-
Total Cash and Cash Equivalents at End of Year	$ 22,122	$ 31,332

Independent Auditors' 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 Members
Wood Creek Water District
London, 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 Wood Creek Water District, (the District) as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise Wood Creek Water District's basic financial statements, and have issued our report thereon dated July 28, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wood Creek 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wood Creek Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wood Creek 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*.

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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.

Abner & Cox, PLLC

Abner & Cox, PLLC
London, Kentucky

July 28, 2026