

**OHIO COUNTY WATER DISTRICT**  
**COMPILED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**OHIO COUNTY WATER DISTRICT  
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## ACCOUNTANTS' COMPILATION REPORT

Commissioners  
Ohio County Water District  
Hartford, Kentucky

Management is responsible for the accompanying financial statements of the business-type activities of the Ohio County Water District as of and for the year ended December 31, 2025, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, the schedule of the District's proportionate share of the CERS net pension liability (asset) on page 30, the schedule of the District's contributions to CERS on page 31, the schedule of the District's proportionate share of the net OPEB liability (asset) on page 32, the schedule of the District's OPEB contributions on page 33, and the notes to required supplementary information on pages 34-37, be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The 2024 financial statements were audited by other accountants, and they expressed an unmodified opinion on them in their report dated October 16, 2025. They have not performed any auditing procedures since that date.

We are not independent with respect to Ohio County Water District.

Respectfully submitted,

*Buckles, Travis & Hart, PLLC*

Buckles, Travis & Hart, PLLC  
Certified Public Accountants  
Leitchfield, Kentucky  
March 27, 2026

**OHIO COUNTY WATER DISTRICT  
HARTFORD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

As management of the Ohio County Water District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the business-type activities for the fiscal year ended December 31, 2025. The information contained in this Management Discussion and Analysis ("MD&A") should be considered in conjunction with the information contained in the Accountants' Compilation Report, financial statements, and supplementary information.

***FINANCIAL HIGHLIGHTS***

For the year ending December 31, 2025, total operating and non-operating revenues (including capital contributions) totaled \$6,847,759 and expenses amounted to \$7,527,022 creating a decrease in net position of \$679,263. At year end, net position totaled \$20,469,906 of which \$17,137,125 (net of related debt) was invested in capital assets and \$708,141 was restricted for debt service. This left a net surplus amount of \$2,624,640 of unrestricted assets.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This report consists of MD&A and is intended to serve as an introduction to the financial statements. The financial statements include notes, which explain in detail some of the information included in the financial statements.

***REQUIRED FINANCIAL STATEMENTS***

The financial statements of the District report information using accounting methods similar to those used by private-sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investment in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis of evaluation of the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the results of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as how cash was received, what was cash used for, and what was the change in the cash balance during the reporting period.

**OHIO COUNTY WATER DISTRICT  
HARTFORD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

*FINANCIAL ANALYSIS OF OHIO COUNTY WATER DISTRICT*

**Statement of Net Position-Summary  
December 31, 2025**

	<b>2025</b>
Total current assets	\$ 5,763,872
Total noncurrent assets	<u>33,426,170</u>
<b>Total Assets</b>	<b>39,190,042</b>
<b>Deferred Outflows of Resources</b>	
	<u>692,194</u>
Total current liabilities	1,812,039
Total non-current liabilities	<u>16,888,415</u>
<b>Total Liabilities</b>	<b>18,700,454</b>
<b>Deferred Inflows of Resources</b>	
	<u>711,876</u>
Net position	
Net investment in capital assets	17,137,125
Restricted	708,141
Unrestricted	<u>2,624,640</u>
<b>Total Net Position</b>	<b><u><u>\$20,469,906</u></u></b>

The largest portion of the District's net position is reflected by investment in capital assets, less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to consumers; consequently, these assets are not available for future spending.

Restricted for debt service represents resources that are subject to external restrictions on how they may be used.

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

**OHIO COUNTY WATER DISTRICT  
HARTFORD, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**Statement of Operations-Summary  
December 31, 2025**

	<b>2025</b>
Total Operating Revenues	\$ 5,245,456
Total Operating Expenses	6,242,712
Net Operating Income	(997,256)
Total non-operating revenue / (expenses)	100,027
Profit before capital contributions	(897,229)
Capital contributions	217,966
Increase (Decrease) in Net Position	(679,263)
Net position, beginning of year	21,149,169
Net position, end of year	\$ 20,469,906

For the year ending December 31, 2025, net position decreased by \$679,263 and consisted of operating loss of (\$997,256), net non-operating income of \$100,027 and capital contributions of \$217,966.

***CAPITAL ASSET CHANGES***

At December 31, 2025, the District has invested \$32,315,589 in capital assets, net of accumulated depreciation and \$402,440 in lease assets, net of accumulated amortization. This amount represents a net decrease of \$781,899 from the previous year. The net decrease consisted of additions to capital assets of \$2,516,454, decreases of \$1,733,764, depreciation expense of \$1,519,064, and amortization expense of \$45,525.

***DEBT ADMINISTRATION***

At December 31, 2025, the District had \$12,255,000 in revenue bonds outstanding and \$2,374,911 of loans payable outstanding. This represents an increase of \$525,000 and a decrease of \$495,442 from the prior year balances of \$11,730,000 and \$2,870,353, respectively.

At December 31, 2025, the District had \$314,773 in lease payable outstanding.

***OTHER MATTERS***

The District serves approximately 6,000 residential and commercial customers in Breckinridge, Daviess, Grayson, and Ohio counties, including the cities of Beaver Dam, Fordsville, and Centertown.

**OHIO COUNTY WATER DISTRICT  
HARTFORD, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

In 2006, the District began the planning process of building a new water treatment plant. The plant was started August 17, 2009 and completed June 15, 2011. The total cost of the 4 MGD plant was \$13,543,836. In conjunction with the water plant project, the water district also refinanced two of the existing bond issues, Series I (Series 1998) and Series II (Series 2000). Funding of the project was provided with a Rural Development Grant in the amount of \$1,500,350, and Economic Development Authority Grant in the amount of \$2,500,000, a Rural Development Loan not to exceed \$9,198,500, a KIA Coal Grant (HB608) in the amount of \$550,000, a Green River Regional Industrial Development Authority cash contribution in the amount of \$450,000, two KIA F loans not to exceed a cumulative total of \$5,000,000 and the District providing \$2,000,000. The Ohio County Fiscal Court paid \$550,000 towards the amount of the project. The fiscal court agreed to cover \$3,000,000. The Rural Development Loan was structured as two separate bond issues of \$7,000,000 and \$1,200,000. Each bears a 4.125% interest rate. The KIA Fund F Loan was established at \$3,742,957 and has an interest rate of 1.00% and service fee rate of .25% and a term of 20 years.

During 2015, the District implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*. This standard requires cost-sharing governments to report a net pension liability (asset), pension expense, and pension related deferred inflows and outflows of resources based upon their proportionate share of the collective amounts for all the participants in the plan. Therefore, included in long-term liabilities is a net pension liability of \$2,343,582 for 2025.

During 2016, the District placed in service phase 1 of a water system upgrade costing approximately \$1,000,000. A revolving loan was obtained from KIA for the project. The loan will be repaid over a period not to exceed twenty years.

During 2018, the District retrospectively implemented GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“OPEB”)*. This standard requires cost-sharing governments to report a net OPEB liability (asset), OPEB expense, and OPEB related deferred inflows and outflows of resources based upon their proportionate share of collective amounts for all participants in the plan. Therefore, included in long-term liabilities is a net OPEB liability of \$40,474 for 2025.

During 2025, the District issued \$5,695,000 of Public Project Revenue Bonds Series 2025C to pay off their interim financing for the Raw Water Intake Project. The bond will be repaid over a 30 year period.

***REQUEST FOR INFORMATION***

This financial report is designed to provide our customers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the funds it receives. If you have any questions about this report or need additional information, please contact the District at 124 East Washington Street, Hartford, KY 42347.

**OHIO COUNTY WATER DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2025**

	<u>DECEMBER 31, 2025</u>	<u>DECEMBER 31, 2024 Summary</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,299,531	\$ 1,525,845
Certificates of deposit	3,377,526	1,673,777
Accounts receivable - customers	458,041	387,528
Accounts receivable - other	225	225
Grants receivable	105,906	54,245
Enterprise receivable	19,575	0
Inventory	213,194	254,011
Prepaid expenses	84,528	72,018
Unbilled revenue	145,234	156,552
Accrued interest receivable	36,426	26,946
HRA trustee balance	23,686	15,690
<b>TOTAL CURRENT ASSETS</b>	<u>5,763,872</u>	<u>4,166,837</u>
<b>NONCURRENT ASSETS</b>		
Cash and cash equivalents - restricted	533,765	1,557,813
Certificates of deposit - restricted	174,376	0
Capital assets not being depreciated	565,540	516,320
Other capital assets, net of depreciation	31,509,147	32,955,308
Right-of-use assets, net of amortization	402,440	0
Construction in progress	240,902	28,300
Net OPEB asset	0	63,356
<b>TOTAL NONCURRENT ASSETS</b>	<u>33,426,170</u>	<u>35,121,097</u>
<b>TOTAL ASSETS</b>	<u>39,190,042</u>	<u>39,287,934</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts from pension	435,362	306,317
Deferred amounts from OPEB	256,832	150,827
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>692,194</u>	<u>457,144</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 39,882,236</u>	<u>\$ 39,745,078</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 319,936	\$ 146,214
Accrued liabilities	87,535	64,660
Accrued interest payable	255,466	179,926
Compensated absences	233,497	182,409
Sales tax payable	1,828	2,651
Utility tax payable	10,822	9,801
Accrued retirement	31,424	0
Customer deposits	197,426	182,659
Current portion of long-term debt	566,707	5,619,163
Current portion of lease liability	107,398	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,812,039</u>	<u>6,387,483</u>
<b>NONCURRENT LIABILITIES</b>		
Net pension liability	2,343,582	2,188,237
Net OPEB liability	40,474	0
Long-term debt, net of current portion	14,063,204	8,981,190
Lease liability, net of current portion	207,375	0
Bond premium, net of amortization of \$6,392	233,780	159,800
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>16,888,415</u>	<u>11,329,227</u>
<b>TOTAL LIABILITIES</b>	<u>18,700,454</u>	<u>17,716,710</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts from pension	239,685	253,375
Deferred amounts from OPEB	472,191	625,824
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>711,876</u>	<u>879,199</u>
<b>NET POSITION</b>		
Net investment in capital assets	17,137,125	18,739,775
Restricted	708,141	1,557,813
Unrestricted	2,624,640	851,581
<b>TOTAL NET POSITION</b>	<u>20,469,906</u>	<u>21,149,169</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 39,882,236</u>	<u>\$ 39,745,078</u>

Accompanying notes to the financial statements are an integral part of this statement.

**OHIO COUNTY WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<b>DECEMBER 31, 2025</b>	<b>DECEMBER 31, 2024 Summary</b>
<b>OPERATING REVENUES</b>		
Water sales	\$ 5,085,968	\$ 4,465,064
Charges for services	122,668	166,300
Miscellaneous service revenue	7,720	0
Other revenues	29,100	11,977
<b>TOTAL OPERATING REVENUES</b>	<b>5,245,456</b>	<b>4,643,341</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	1,688,788	1,417,238
Payroll tax expense	124,337	102,873
Employee pension and benefits	660,298	325,035
Other contractual services	588,990	443,604
Rental of equipment	300	1,939
Utilities	414,299	385,540
Telephone	84,402	85,234
Computer support	13,745	15,417
Materials and supplies	588,962	304,802
Insurance	90,717	63,009
Rental of building and other real estate	1,184	16,616
Travel	88,105	74,438
Commission fees	7,444	7,508
Depreciation	1,517,396	1,391,233
Amortization - right-of-use assets	45,525	0
Bad debt expense	31,605	15,329
Chemicals and safety	206,463	218,719
Credit card fees	14,148	54,716
Enterprise management fees	2,443	0
Miscellaneous operating expenses	73,561	54,835
Advertising	0	1,752
<b>TOTAL OPERATING EXPENSES</b>	<b>6,242,712</b>	<b>4,979,837</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(997,256)</b>	<b>(336,496)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	181,370	267,872
Interest expense	(542,793)	(470,641)
Non-utility income	4,850	7,358
Non-utility expense	(2,525)	(2,492)
KIA service fees	(9,236)	(11,830)
Bond issuance costs	(204,373)	0
Grants	650,218	1,509,086
Contributions in aid of construction	348,000	0
Settlement income	190,049	0
Unclaimed property	9,850	0
Gain/loss on sale of fixed assets	(525,383)	(14,290)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>100,027</b>	<b>1,285,063</b>

(CONTINUED)

Accompanying notes to the financial statements are an integral part of this statement.

**OHIO COUNTY WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION (CONCLUDED)  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<b>DECEMBER 31, 2025</b>	<b>DECEMBER 31, 2024 Summary</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	\$ (897,229)	\$ 948,567
<b>CAPITAL CONTRIBUTIONS</b>		
Capital contributions from customers	80,298	79,360
Capital contributions from other government	137,668	137,982
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	217,966	217,342
<b>CHANGE IN NET POSITION</b>	(679,263)	1,165,909
<b>TOTAL NET POSITION-BEGINNING OF YEAR</b>	21,149,169	19,983,260
<b>TOTAL NET POSITION-END OF YEAR</b>	\$ 20,469,906	\$ 21,149,169

(CONCLUDED)

Accompanying notes to the financial statements are an integral part of this statement.

**OHIO COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<b>DECEMBER 31, 2025</b>	<b>DECEMBER 31, 2024 Summary</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 5,186,261	\$ 4,861,891
Payments to suppliers for goods and services	(2,664,637)	(2,648,945)
Payments to employees for services	(1,858,932)	(1,758,002)
Other receipts (payments)	(56,272)	377,872
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>606,420</b>	<b>832,816</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Loan proceeds	5,695,000	133,934
KIA service fees	(9,236)	(11,830)
Bond issuance cost	(204,373)	0
Bond premium	80,372	0
Principal repayment of debt	(5,668,043)	(561,612)
Purchases of capital assets	(700,913)	(6,122,001)
Capital contributions	217,966	217,342
Interest paid on debt	(467,253)	(465,936)
Rent income, net of rent expenses	3,993	6,535
Grant revenue	650,218	1,509,086
Settlement income	190,049	0
Unclaimed property	9,850	0
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(202,370)</b>	<b>(5,294,482)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in certificates of deposit	(1,878,125)	(72,897)
Interest on cash deposits	165,498	247,278
Proceeds from sale of capital assets	58,215	5,870
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(1,654,412)</b>	<b>180,251</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,250,362)</b>	<b>(4,281,415)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>3,083,658</b>	<b>7,365,073</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,833,296</b>	<b>\$ 3,083,658</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (997,256)	\$ (336,496)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities		
Depreciation expense	1,517,396	1,391,233
Amortization - right-of-use assets	45,525	0
Changes in assets and liabilities		
Net (increase) decrease in accounts receivable - customers	(70,513)	14,379
Net (increase) decrease in accounts receivable - other	0	8,764
Net (increase) decrease in enterprise receivable	(19,575)	0
Net (increase) decrease in grants receivable	(51,661)	358,855
Net (increase) decrease in inventory	40,817	17,332
Net (increase) decrease in prepaid expenses	(12,510)	(68,603)
Net (increase) decrease in unbilled revenue	11,318	195,407
Net (increase) decrease in HRA trustee balance	(7,996)	(10,685)
Net (increase) decrease in OPEB asset	63,356	(12,623)
Deferred outflows of resources - pension	(129,045)	95,457
Deferred outflows of resources - OPEB	(106,005)	65,659
Net increase (decrease) in accounts payable	173,722	(529,181)
Net increase (decrease) in accrued liabilities	22,875	18,510
Net increase (decrease) in compensated absences	51,088	25,358
Net increase (decrease) in sales tax payable	(824)	(633)
Net increase (decrease) in utility tax payable	1,021	(284)
Net increase (decrease) in accrued retirement	31,424	0
Net increase (decrease) in customer deposits	14,767	19,934
Net increase (decrease) in net pension liability	155,345	(169,573)
Net increase (decrease) in OPEB liability	40,474	0
Deferred inflows of resources - pension	(13,690)	(38,999)
Deferred inflows of resources - OPEB	(153,633)	(210,995)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 606,420</b>	<b>\$ 832,816</b>

Accompanying notes to the financial statements are an integral part of this statement.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES**

The Ohio County Water District (the “District”) was organized on April 2, 1962, pursuant to Section 74 of the Kentucky Revised Statutes. It was developed to provide water services to residential and commercial customers in Breckinridge, Daviess, Grayson, and Ohio counties, including the cities of Beaver Dam, Centertown, and Fordsville.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**1. Financial Reporting Entity**

The District is governed by a seven-member board (the “Board”), five of whom are appointed by the Ohio County Fiscal Court and two are appointed by the Daviess County Fiscal Court.

**2. Basis of Presentation**

The records of the District are maintained on the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position.

Operating revenues within the proprietary fund are those revenues that are generated from the primary operations of the District. Except for capital grants which are reported as capital contributions, all other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Basis of Presentation (Concluded)**

GASB No. 34 requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net asset use through external 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.
- *Unrestricted Net Assets* – This component of net position consists of net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

**3. Cash and Cash Equivalents**

The District has defined cash and cash equivalents to include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**4. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**5. Accounts Receivable**

The District recognizes revenues as services are rendered. Accounts receivable represent balances due from the customers, and are stated at face value. Management considers all balances to be collectible at the fiscal year-end, and therefore, an allowance for uncollectible amounts is not recorded in the financial statements.

**OHIO COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2025**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6. Inventory**

Inventory consists of operating supplies and chemicals and is stated at cost. Inventories are accounted for on the first-in, first-out (FIFO) method.

**7. Unbilled Revenue Receivable**

Water sold, but unmetered at the date of the financial statements, is estimated based on subsequent billing and included in current assets.

**8. Investments**

Investments consist of certificates of deposit recorded at cost, which is believed to approximate their fair market value.

**9. Bond Premium, Discounts and Issuance Costs**

Bond premiums and discounts for proprietary funds are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premium/discounts are presented as an addition/reduction of the face amount of bonds payable. Bond issuance costs are expensed in the period incurred.

**10. Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension and OPEB liabilities, 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 Non-Hazardous (“CERS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

**11. Income Taxes**

The District is exempt from federal and state income taxes under Section 501 of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the District’s financial statements.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**12. Impairment of Long-Lived Assets**

The District reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2025.

**13. Restricted Assets**

The Regions 2020 sinking fund is restricted to the payment of the costs associated with the respective project.

The debt service funds are required under current debt instruments. The funds are restricted to the payment of interest and principal of the long-term debt. As of December 31, 2025, the debt service funds were invested in savings accounts.

The depreciation fund was created and continued under previous revenue bond ordinances. The funds are restricted for paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements and the cost of constructing additions and improvements to the system. The funds shall also be available for transfer to the debt service fund in order to avoid default in connection with any outstanding debt payable or to purchase outstanding debt in advance of maturity.

The Pinnacle Bank account was required under current debt instruments. As of December 31, 2025, the funds were invested in an account with an interest rate of 2.64%.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Regions 2025C sinking funds are restricted to the payment of the costs associated with the respective project.

The Certificate of Deposit was required under current debt instruments. As of December 31, 2025, the funds were invested in an account with an interest rate of 4.18%.

**14. Compensated Absences**

The District permits employees to carry-forward unused vacation time from one calendar year to the next. Upon termination of employment, any unused vacation time is paid to the employee. As of December 31, 2025, the liability for accrued compensated absences was \$233,497.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**15. Capital Assets**

The District defines capital assets as assets with an individual cost of more than \$5,000. Capital assets are reported at cost or the fair market value. Major outlays are capitalized as projects are constructed. Depreciation is computed on the straight-line method over the following useful lives:

	Years
Land improvements	10-20
Pumping treatment plant and equipment	5-50
Transmission and distribution system	5-50
Other equipment	5-10

**NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS**

**1. Custodial Credit Risk**

As of December 31, 2025, the carrying amount of the District's deposits was \$5,385,198 and the bank balance was \$5,367,025. 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 formal deposit policy for custodial credit risk. However, the District is required by state statute to have bank deposits collateralized. Of the total bank balance, \$749,662 was covered by federal depository insurance and the remaining balance of \$4,617,363 would require collateralization. As of December 31, 2025, \$3,620,161 was pledged with securities held by the pledging banks' trust departments but not in the name of the District.

**2. Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**3. Credit Risk**

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. The District has no investment policy that would further limit its investment choices.

**4. Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONCLUDED)**

**5. Restricted Cash and Investments**

Restricted cash and investments consisted of the following at December 31, 2025:

KIA debt service F15-069	\$	7,347
Debt service series 2020		78
KIA debt service F08-08		19,881
Regions 2020		310,773
Pinnacle Bank 2023		18,978
Regions 2025C		147,422
Regions 2025C – CCB		29,286
CD 9488		174,376
		\$ 708,141

**NOTE C – LEASED ASSETS**

The total of the District’s leased assets are recorded at a cost of \$451,314, net of lease accumulated amortization of \$48,874.

Future minimum commitments for these leases are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 107,398	\$ 20,525	\$ 127,923
2027	61,123	19,434	80,557
2028	61,123	19,434	80,557
2029	61,123	19,434	80,557
2030	24,006	11,336	35,342
	\$ 314,773	\$ 90,163	\$ 404,936

The District has two lease to own agreements with John Deere Financial for the purchase of a John Deere Tractor and Excavator. Each loan bears an interest rate of 6.25%, with monthly principal and interest payments, and matures August 30, 2026.

The District has entered into a fleet management program with Enterprise, where they will handle all maintenance and management of all vehicles as well as the District will lease vehicles from them. At December 31, 2025, the District leases seven vehicles from Enterprise. At the conclusion of the lease term, the District will have the option to purchase the vehicle or Enterprise will sell the vehicle with the District receiving all funds related to the sale. Principal and interest are payable monthly.

**OHIO COUNTY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2025**

**NOTE D – LONG-TERM DEBT**

Current year long-term debt activity is as follows:

<b>Description</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Kentucky Infrastructure Authority F08-08 – interest at 1.00%, administration fee at 0.25%, principal and interest payable semi-annually over a 20 year period, maturing December 1, 2031	\$ 1,554,321	\$ 0	\$ 215,456	\$ 1,338,865	\$ 217,617
Kentucky Infrastructure Authority F15-069 – interest at 1.75%, principal and interest payable semi-annually over a 20 year period, maturing June 1, 2037	1,014,853	0	73,307	941,546	74,590
Revenue Bonds Series 2020A – Variable interest ranging from 2.20% to 5.20%, principal payable annually and interest paid semi-annually over a 30 year period, maturing January 1, 2050	6,730,000	0	170,000	6,560,000	180,000
Waterworks Revenue Anticipation Note Series 2023 – interest at 5.53%, interest payable quarterly and principal due at maturity, maturing September 10, 2025	5,000,000	0	5,000,000	0	0
Suez Water Technologies and Solutions – interest at 0.00%, principal payable annually over a 4 year period, maturing June 1, 2026	189,000	0	94,500	94,500	94,500
Rural Water Financing Agency Series 2025C – interest at 5.20%, principal payable annually and interest payable semi-annually over a 30 year period, maturing February 1, 2055.	0	5,695,000	0	5,695,000	0
	<u>\$14,488,174</u>	<u>\$5,695,000</u>	<u>\$5,553,263</u>	<u>\$14,629,911</u>	<u>\$ 566,707</u>

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE D – LONG-TERM DEBT (CONCLUDED)**

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2026	\$ 566,707	\$ 553,392	\$ 1,120,099
2027	570,702	512,568	1,083,270
2028	589,240	494,340	1,083,580
2029	602,823	478,492	1,081,315
2030	616,454	454,460	1,070,914
2031-2035	2,370,215	2,086,968	4,457,183
2036-2040	2,173,770	1,742,300	3,916,070
2041-2045	2,475,000	1,298,800	3,773,800
2046-2050	2,995,000	748,840	3,743,840
2051-2055	1,670,000	226,200	1,896,200
	<u>\$ 14,629,911</u>	<u>\$ 8,596,360</u>	<u>\$ 23,226,271</u>

In 2011, the District began drawing loan proceeds from KIA for the construction of the new water treatment plant. The amount, not to exceed \$5,000,000, was completed for \$3,742,957. Repayment of the loan began after the project was completed and requires semi-annual payments on the dates established by the schedule of payments. The loan bears an interest rate of 1% and an administrative fee of 0.25% over a term of 20 years.

In 2015, the District was approved for a revolving loan not to exceed \$1,630,000 to replace approximately 17,500 linear feet of eight and ten inch lines with a sixteen inch line. The loan is to be repaid beginning one year after completion of the project over a period not to exceed twenty years. It is anticipated that any portion of the loan not currently used may be drawn down or transferred to another project. Principal and interest are payable semi-annually.

The District issued \$7,335,000 of Waterworks Revenue Bonds Series 2020A to provide for the refunding of the outstanding Series 91-01 and 91-03 bonds. The bonds are fully registered and insured as to principal and interest. Interest is payable semi-annually on January 1 and July 1 of each year commencing July 1, 2020. Principal is payable annually on January 1 of each year. The bonds are not subject to optional redemption prior to their stated maturities.

The District issued \$5,000,000 of Waterworks Bond Anticipation Note, Series 2023 to provide interim financing until long term financing can be finalized for the Raw Water Intake Project. The BAN bears an interest rate of 5.53% due quarterly with principal payable at maturity. The BAN matures September 10, 2025.

The District has a contract with Suez Water Technologies and Solutions regarding the replacement of four Train filters. The District has an annual payment of \$94,500, maturing June 1, 2026. There is no interest on this loan payable.

The District issued \$5,695,000 of Public Project Revenue Bonds Series 2025C to pay off their interim financing BAN for the Raw Water Intake Project. The bond bears an interest rate of 5.20% due semi annually with principal payable annually on February 1 of each year.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE E – CAPITAL ASSETS**

A summary of capital assets for the year ended December 31, 2025 is as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated				
Land and land rights	\$ 516,320	\$ 49,220	\$ 0	\$ 565,540
Construction in progress	28,300	240,902	(28,300)	240,902
Total capital assets not being depreciated	544,620	290,122	(28,300)	806,442
Other capital assets				
Organization expense	8,245	0	0	8,245
Water contract	1,000	0	0	1,000
Coll and impound res – WTP	0	1,193,859	0	1,193,859
Communication equipment	0	812,489	(123,182)	689,307
Dist reservoirs and standpipes	0	68,951	(68,951)	0
Hydrants	0	627,375	0	627,375
Laboratory equipment	0	62,975	0	62,975
Lake, river and other intakes	0	5,714,278	0	5,714,278
Meters and meter installations	0	2,612,092	(891,786)	1,720,306
Miscellaneous equipment	0	17,102	0	17,102
Non-utility property	0	52,817	0	52,817
Office furniture and equipment	0	123,904	(7,297)	116,607
Other plant and misc equipment	0	18,762	0	18,762
Power operated equipment	0	148,562	(9,889)	138,673
Structures and improvements	0	8,341,417	(314,200)	8,027,217
Tools, shop, and garage equipment	0	43,954	(2,000)	41,954
Transmission and distribution main	27,567,484	374,234	(3,540,219)	24,401,499
Transportation equipment	0	691,637	(188,642)	502,995
Water treatment equipment	9,478,442	0	(90,266)	9,388,176
Land improvements	15,306,017	0	(15,306,017)	0
Other equipment	1,442,569	0	(1,442,569)	0
Total other capital assets at historical cost	53,803,757	20,904,408	(21,985,018)	52,723,147
Less: Accumulated depreciation	(20,848,449)	(1,519,064)	1,153,513	(21,214,000)
Total other capital assets, net	32,955,308	19,385,344	(20,831,505)	31,509,147
Total capital assets	\$ 33,499,928	\$19,675,466	\$(20,859,805)	\$ 32,315,589

Depreciation expense for the year ended December 31, 2025 was \$1,519,064, of which \$1,517,396 is included in operating expenses and \$1,668 is included in non-utility expenses.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE F – SUBSEQUENT EVENTS**

Ohio County Water District’s management has evaluated and considered the need to recognize or disclose subsequent events through March 27, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2025, have not been evaluated by management.

The District was awarded an Unserved Customer Grant in the amount of \$750,000 during 2022. This grant will be used for nine different projects, all to construct water lines to reach customers that don’t have water. The funds are received as expenses are incurred. These funds must be expended by the end of 2026.

The District is in the planning phase of a new capital project noted as the IPE North Main project. Construction is set to begin in 2026, with the KIA loan finalized in the summer of 2026. The project is estimated to be completed one year after commencement. This project involves the construction of a new transmission main to improve capacity and reliability in the IPE pressure zone.

**NOTE G – PENSION PLAN**

**General Information about the Pension Plan (County Employees Retirement System):** Full-time and eligible part-time employees are covered by the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of KPPA administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Basis of Accounting:** For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, pension expense, information about the fiduciary net position of 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. Investments are reported at fair value.

**Benefits Provided:** CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE G – PENSION PLAN (CONTINUED)**

**Benefits Provided (Concluded):**

**CERS Non-hazardous**

<u>Tier 1</u>	Participation date:	Before September 1, 2008
Defined	Unreduced retirement:	27 years service or 65 years old with 4 years service
Benefit	Reduced retirement:	At least 5 years service and 55 years old At least 25 years service and any age
<u>Tier 2</u>	Participation date:	September 1, 2008 – December 31, 2013
Defined	Unreduced retirement:	At least 5 years service and 65 years old
Benefit	Reduced retirement:	Age 57+ and sum of service years plus age = 87 At least 10 years service and 60 years old
<u>Tier 3</u>	Participation date:	After December 31, 2013
Cash	Unreduced retirement:	At least 5 years service and 65 years old
Balance	Reduced retirement:	Age 57+ and sum of service years plus age = 87 Not available

**Contributions:** The District was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute normal contribution and past service contribution rates shall be determined by the KPPA Board on the basis of an annual valuation last preceding July of a new biennium. The KPPA Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KPPA Board.

Employees in all tiers contributed 5% of their salaries for non-hazardous and those in Tiers 2 and 3 also contributed an additional 1% of their salaries for insurance. Participating employers contributed 18.62% (18.62% for pension and 0.00% for health insurance) of members' non-hazardous compensation for the year ended December 31, 2025. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA are financed through employer contributions and investment earnings.

The District has met 100% of the contribution funding requirement for the year ended December 31, 2025. Total current year contributions recognized by the Plan were \$146,288 (\$146,288 related to pension and \$0 related to OPEB) for the year ended December 31, 2025. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$24,071.

**Medical Insurance Plan:** In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Public Pensions Authority Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE G – PENSION PLAN (CONTINUED)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At December 31, 2025, the District reported a liability of \$2,343,582 for its proportionate share of the net pension liability (asset) for CERS. The total pension liability (asset), net pension liability (asset) and sensitivity information as of December 31, 2025, were based on an actuarial valuation date of June 30, 2025. The total pension liability (asset) was rolled forward from the valuation date of June 30, 2024 to the plan’s fiscal year ended June 30, 2025, using generally accepted actuarial principles. The District’s proportion of the net pension liability (asset) was based on the actual contributions of the District relative to the total contributions of all participating members of CERS during the measurement period of July 1, 2024 through June 30, 2025. At December 31, 2025, the District’s proportion was 0.042116%.

For the year ended December 31, 2025, the District recognized total pension expense of \$158,898 for CERS.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

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	\$ 77,694	\$ 0
Change of assumptions	0	0
Differences between expected and actual investment earnings on plan investments	0	234,344
Changes in proportion and differences between District contributions and proportionate share of contributions	211,380	5,341
District contributions subsequent to the measurement date	146,288	0
Total	<u>\$ 435,362</u>	<u>\$ 239,685</u>

Deferred outflows of resources resulting from District contributions subsequent to the measurement date of \$146,288 will be recognized as a reduction of net pension liability (asset) in the year ending December 31, 2025. Other amounts reported as deferred inflows and outflows related to pensions will be recognized in pension expense as follows:

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE G – PENSION PLAN (CONTINUED)**

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

Year Ending December 31,	Amount
2026	\$ 165,803
2027	(204)
2028	(76,150)
2029	(40,060)
2030	0
Thereafter	0
Total	\$ 49,389

**Actuarial Assumptions:** The total pension liability (asset) in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions (updated from the actuarial assumptions used for June 30, 2024):

Inflation Rate:	2.50%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return:	6.50%

The mortality table used for active members was a PUB-2010 General Mortality table, for the non-hazardous system, projected with the ultimate rates from the MP-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rates of return were determined by using a building-block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by KPPA, are summarized in the following table:

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE G – PENSION PLAN (CONCLUDED)**

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded):**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
<b>Fixed Income</b>		
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
<b>Inflation Protected</b>		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
<b>Expected Real Return</b>	<u>100.00%</u>	<u>4.24%</u>
<b>Long Term Inflation Assumption</b>		<u>2.50%</u>
<b>Expected Nominal Return for Portfolio</b>		<u><u>6.74%</u></u>

**Discount Rate:** The projection of cash flows used to determine the discount rate of 6.50% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as was amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

**Sensitivity of Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate:** The following table presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u> 5.50%	<u>Current Discount Rate</u> 6.50%	<u>1% Increase</u> 7.50%
District’s proportionate share of the net pension liability (asset)	\$3,098,372	\$2,343,582	\$1,720,862

**Measurement Date:** June 30, 2025 is the actuarial valuation date and measurement date upon which the total pension liability (asset) is based.

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plans’ fiduciary net position is available in the separately issued pension plan financial reports.

**Payable to the Pension Plan:** At December 31, 2025, the District reported a payable of \$23,911 for the outstanding amount of contributions to the pension plan required at the year ended December 31, 2025.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE H – OTHER POSTEMPLOYMENT BENEFITS PLAN**

**General Information about the County Employees Retirement System Insurance Fund:** County Employees Retirement System (CERS) Non-hazardous and Hazardous Insurance Funds are cost-sharing, multiple-employer defined benefit or other post-employment benefits (OPEB) plans for members that cover all regular full-time and eligible part-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members, and it may be extended to beneficiaries of plan members under certain circumstances. It is administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute 61.645, the Board of Trustees of the Kentucky Public Pensions Authority administers OPEB and has the authority to establish and amend benefit provisions.

The KPPA issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Basis of Accounting:** For purposes of measuring the net OPEB liability (asset), deferred outflow of resources and deferred inflow of resources related to OPEB, OPEB expense, information about the fiduciary net position of 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. Investments are reported at fair value.

**Benefits Provided:** CERS provides health insurance benefits to plan employees and beneficiaries when applicable. For members participating prior to July 1, 2003, KPPA pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009 and by 1.5% annually from July 1, 2009.

The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KPPA submits the premium payments to DEI. The KPPA Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

**Contributions:** Employees in Tiers 2 and 3 (see Note G) contribute an additional 1% of their salaries for health insurance. This amount is credited to the Insurance Fund and is non-refundable to the member. Participating employers contributed 18.62% (18.62% for pension and 0.00% for health insurance) of members' non-hazardous compensation for the year ended December 31, 2025.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE H – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred**

**Inflows of Resources Related to OPEB:** At December 31, 2025, the District reported a liability (asset) of \$40,474 for its share of the net OPEB liability (asset) for CERS. The total OPEB liability (asset), net OPEB liability (asset) and sensitivity information as of December 31, 2025, were based on an actuarial valuation date of June 30, 2025. The total OPEB liability (asset) was rolled forward from the valuation date of June 30, 2024 to the plan’s fiscal year ended June 30, 2025, using generally accepted actuarial principles. The District’s proportion of the net OPEB liability (asset) was based on the actual contributions of the District relative to the total contributions of all participating members of CERS during the measurement period of July 1, 2024 through June 30, 2025. At December 31, 2025, the District’s proportion was 0.042141%.

For the year ended December 31, 2025, the District recognized total OPEB expense of \$(131,736) for CERS.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

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
Difference between expected and actual experience	\$ 131,273	\$ 347,961
Change of assumptions	26,996	23,175
Differences between expected and actual investment earnings on plan investments	0	91,663
Changes in proportion and differences between District contributions and proportionate share of contributions	74,492	9,392
District contributions subsequent to the measurement date	24,071	0
Total	\$ 256,832	\$ 472,191

Deferred outflows of resources resulting from District contributions subsequent to the measurement date of \$24,071, which include the implicit subsidy reported of \$24,071, will be recognized as a reduction of net OPEB liability (asset) in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE H – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

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

Year Ending December 31,	Amount
2026	\$ (149,329)
2027	(123,003)
2028	19,205
2029	13,697
2030	0
Thereafter	0
Total	\$ (239,430)

**Actuarial Assumptions:**

The total OPEB liability (asset) in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions:

Inflation Rate:	2.50%
Payroll Growth Rate:	2.00%
Projected Salary Increases:	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return:	6.50%
Healthcare Trend Rates (under age 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.
Healthcare Trend Rates (age 65 and over):	Initial trend starting at 8.00% in 2026, and then gradually decreasing to an ultimate trend rate of 4.25% over a period of 10 years.

The mortality table used for active members was a PUB-2010 General Mortality table, for the non-hazardous system, projected with the ultimate rates from the MP-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rates of return were determined by using a building-block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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, as provided by KPPA, are summarized in the table in Note G (target allocations and real rates of return are the same for the CERS Pension and Insurance Funds).

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2025**

**NOTE H – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

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

**Discount Rate:** The discount rate used to measure the total OPEB liability (asset) was 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 twenty-five year (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 5.20%, as reported in Bond Buyer’s “20-Year Municipal GO AA Index” as of June 30, 2025. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**Sensitivity of Proportionate Share of Net OPEB Liability (Asset) to Changes in the Discount Rate:**

The following table presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.26%, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District’s proportionate share of the net OPEB liability (asset)	5.26%	6.26%	7.26%
	\$(129,862)	\$40,474	\$242,857

**Sensitivity of Proportionate Share of Net OPEB Liability (Asset) to Changes in the Healthcare Cost**

**Trend Rate:** The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the healthcare cost trend rate, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of the net OPEB liability (asset)	\$(93,536)	\$40,474	\$197,352

**Measurement Date:** June 30, 2025 is the actuarial valuation date and measurement date upon which the total OPEB liability (asset) is based.

**OPEB Plan Fiduciary Net Position:** Detailed information about the OPEB plans’ fiduciary net position is available in the separately issued OPEB plan financial reports.

**OHIO COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)  
DECEMBER 31, 2025**

**NOTE H – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONCLUDED)**

**OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded):**

**Payable to the OPEB Plan:** At December 31, 2025, the District reported a payable of \$1,092 for the outstanding amount of contributions to the OPEB plan required at the year ended December 31, 2025.

**NOTE I – FAIR VALUE**

In compliance with GASB 31, the District's investments are stated at fair value, except for short-term investments. Short-term investments are carried at cost, which approximates fair value. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed cost.

**NOTE J – RISK MANAGEMENT**

The District is exposed to various risks of loss related torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries insurance for all risks of loss, including worker's compensation, general liability and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**OHIO COUNTY WATER DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY (ASSET)**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

Last 10 Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
District's proportion of the net pension liability (asset)	0.031447%	0.030751%	0.034166%	0.035675%	0.036752%	0.035056%	0.033358%	0.036746%	0.036590%	0.042116%
District's proportionate share of the net pension liability (asset)	\$ 1,548,342	\$ 1,799,951	\$ 2,080,814	\$ 2,509,039	\$ 2,818,848	\$ 2,235,095	\$ 2,411,454	\$ 2,357,810	\$ 2,188,237	\$ 2,343,582
District's covered-employee payroll	\$ 822,561	\$ 815,778	\$ 887,015	\$ 911,939	\$ 975,414	\$ 951,518	\$ 981,716	\$ 1,100,447	\$ 1,277,365	\$ 1,529,797
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	188.23%	220.64%	234.59%	275.13%	288.99%	234.90%	245.64%	214.26%	171.31%	153.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	55.50%	53.30%	53.54%	50.45%	48.10%	57.33%	52.42%	57.48%	61.61%	65.34%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability (asset), which is June 30th of the fiscal year presented.

See accountants' compilation report.

**OHIO COUNTY WATER DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO CERS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

Last 10 Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions	\$ 110,171	\$ 115,961	\$ 136,220	\$ 162,034	\$ 188,255	\$ 182,607	\$ 222,647	\$ 251,471	\$ 270,827	\$ 292,117
Contributions in relation to the contractually required contribution	<u>(110,171)</u>	<u>(115,961)</u>	<u>(136,220)</u>	<u>(162,034)</u>	<u>(188,255)</u>	<u>(182,607)</u>	<u>(222,647)</u>	<u>(251,471)</u>	<u>(270,827)</u>	<u>(292,117)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 822,561	\$ 815,778	\$ 887,015	\$ 911,939	\$ 975,414	\$ 951,518	\$ 981,716	\$ 1,100,447	\$ 1,277,365	\$ 1,529,797
Contributions as a percentage of covered-employee payroll	13.39%	14.21%	15.36%	17.77%	19.30%	19.19%	22.68%	22.85%	21.20%	19.10%

Note: The data provided in this schedule is based on the measurement date of the CERS net pension liability (asset), which is June 30th of the fiscal year presented.

See accountants' compilation report.

**OHIO COUNTY WATER DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Last 10 Fiscal Years*							
	2018	2019	2020	2021	2022	2023	2024	2025
District's proportion of the net OPEB liability (asset)	0.034165%	0.035665%	0.036756%	0.035048%	0.033352%	0.036745%	0.036626%	0.042141%
District's proportionate share of the net OPEB liability (asset)	\$ 606,593	\$ 599,869	\$ 887,546	\$ 670,976	\$ 658,206	\$ (50,733)	\$ (63,356)	\$ 40,474
District's covered-employee payroll	\$ 887,015	\$ 911,939	\$ 975,414	\$ 951,518	\$ 981,716	\$ 1,100,447	\$ 1,277,365	\$ 1,529,797
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	71.43%	66.66%	90.99%	70.52%	67.05%	(4.61)%	(4.96)%	2.65%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	57.62%	60.44%	76.11%	51.67%	60.95%	104.23%	104.89%	97.67%

\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Note: The data provided in this schedule is based on the measurement date of the CERS net OPEB liability (asset), which is June 30th of the fiscal year presented.

See accountants' compilation report.

**OHIO COUNTY WATER DISTRICT  
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

Last 10 Fiscal Years\*

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions	\$ 44,194	\$ 45,676	\$ 46,430	\$ 47,818	\$ 35,949	\$ 17,893	\$ 0	\$ 0
Contributions in relation to the contractually required contribution	<u>(44,194)</u>	<u>(45,676)</u>	<u>(46,430)</u>	<u>(47,818)</u>	<u>(35,949)</u>	<u>(17,893)</u>	<u>0</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Contributions as a percentage of contractually required contribution for OPEB	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%
District's covered-employee payroll	\$ 887,015	\$ 911,939	\$ 975,414	\$ 951,518	\$ 981,716	\$ 1,100,447	\$ 1,277,365	\$ 1,529,797
Contributions as a percentage of covered-employee payroll	4.98%	5.01%	4.76%	5.03%	3.66%	1.63%	0.00%	0.00%

\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Note: The data provided in this schedule is based on the measurement date of the CERS net OPEB liability (asset), which is June 30th of the fiscal year presented.

See accountants' compilation report.

**OHIO COUNTY WATER DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 1 – PENSION**

***Changes in Assumptions and Benefit Terms:***

**2025:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2024:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2023:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- Post-retirement mortality rates were updated based on KPPA experience.
- Mortality improvement assumption was updated to the ultimate rates of the MP-2020 mortality improvement scale.
- Rates of termination prior to retirement were increased.
- Rates of disability incidence for the KERS non-hazardous fund and CERS funds were decreased.
- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by 0.20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period of the CERS funds.
- The investment return assumption for the CERS pension funds was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 5.90% for the KERS non-hazardous and SPRS pension funds and to 6.75% for the KERS hazardous and CERS pension funds.

**2022:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2021:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2020:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2019:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- Payroll growth rate is 2.00% for CERS non-hazardous.
- The assumed rate of salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous.

**2018:** There were no changes in assumptions and benefit terms since the prior measurement date.

Accompanying notes to the financial statements are an integral part of this statement.

**OHIO COUNTY WATER DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 1 – PENSION (CONCLUDED)**

**2017:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

**2016:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2015:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described in Schedule D of the CERS actuary report. The changes are noted below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 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 assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**NOTE 2 – OPEB**

***Changes in Assumptions and Benefit Terms:***

**2025:** There were no changes in assumptions and benefit terms since the prior measurement date.

**2024:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The Healthcare Trend Rates (under age 65) were increased from 6.80% to 7.10% for the initial trend.
- The Healthcare Trend Rates (age 65 and over) were decreased from 8.50% to 8.00% for the initial trend.

Accompanying notes to the financial statements are an integral part of this statement.

**OHIO COUNTY WATER DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 2 – OPEB (CONTINUED)**

**2023:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The rate of inflation was increased from 2.30% to 2.50%.
- The investment rate of return assumption for all insurance funds was increased from 6.25% to 6.50%.
- The Healthcare Trend Rates (under age 65) were increased from 6.40% to 6.80% for the initial trend.
- The Healthcare Trend Rates (age 65 and over) were increased from 6.30% to 8.50% for the initial trend.
- House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member’s Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option.
- House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. The adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

**2022:** Since the prior measurement date, demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The Healthcare Trend Rates (under age 65) were increased from 6.25% to 6.40% for the initial trend.
- The Healthcare Trend Rates (age 65 and over) were increased from 5.50% to 6.30% for the initial trend.

**2021:** Since the prior measurement date, demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The Healthcare Trend Rates (under age 65) were decreased from 6.40% to 6.25% for the initial trend.
- The Healthcare Trend Rates (age 65 and over) were increased from 2.90% to 5.50% for the initial trend.

Accompanying notes to the financial statements are an integral part of this statement.

**OHIO COUNTY WATER DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 2 – OPEB (CONCLUDED)**

**2020:** Since the prior measurement date, demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The Healthcare Trend Rates (under age 65) were decreased from 7.00% to 6.40% for the initial trend.
- The Healthcare Trend Rates (age 65 and over) were decreased from 5.00% to 2.90% for the initial trend.

**2019:** Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate for salary increases changed from an average of 3.05% to a range of 3.30% to 10.30%, which varies by service for CERS non-hazardous.

**2018:** There were no changes in assumptions and benefit terms since the prior measurement date.

Accompanying notes to the financial statements are an integral part of this statement.