

**OLDHAM COUNTY WATER DISTRICT**  
**La Grange, Kentucky**

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**FINANCIAL STATEMENTS**  
**December 31, 2025**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Oldham County Water District  
La Grange, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Oldham County 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 the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oldham County Water District, as of December 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit 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 the 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 for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the management's discussion and analysis and the pension and OPEB schedules on pages 4–9 and 27–30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
March 30, 2026

**OLDHAM COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED DECEMBER 31, 2025**

The discussion and analysis of Oldham County Water District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2025. The intent of this discussion and analysis is to review the District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of 2025 by \$46.2 million (net position). Of this amount, \$17.78 million (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors. The District's total net position increased by \$4.3 million in 2025. This represents a 10.17% increase from the 2024 balance.
- The ending cash balance for the District was \$17.10 million. The balance at December 31, 2024, was \$14.93 million. This reflects an increase in cash during the year of approximately \$2.17 million.
- The District invested approximately \$2.4 million in capital assets during the year.
- To comply with upcoming water quality regulations, the District continues water quality testing and initiated a study to evaluate and address forever chemical remediation needs. In 2025, the District recognized its first per- and polyfluoroalkyl substances (PFAS) settlement revenue of \$2M resulting from a national class-action involving certain chemical manufacturers.

### **USING THIS ANNUAL REPORT**

The basic financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The basic financial statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; a statement of cash flows; and notes to the basic financial statements.

The **statement of net position** presents the financial position of the District on a full accrual historical cost basis. The statement presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the District is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the **statement of revenues, expenses, and changes in net position** presents the results of the District's activities over the course of the year and information as to how the net position changed during the 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 the related cash flows. This statement also provides certain information about the District's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the basic financial statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

#### ENTITY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$46.2 million and \$41.9 million as of December 31, 2025 and 2024.

The largest portion of the District's net position (59%) reflects its investment in infrastructure and capital assets (e.g., land and land rights, plant and equipment, and construction in progress), less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**(Table 1)**  
**Summary of Net Position**  
**as of December 31, 2025 and 2024**

	2025	2024
<b>Assets</b>		
Current and		
Other Assets	\$ 25,139,263	\$ 21,301,004
Capital Assets	38,559,749	37,223,093
<b>Total Assets</b>	63,699,012	58,524,097
<b>Deferred Outflows of Resources</b>	643,411	929,663
Long-term liabilities	14,027,079	14,427,033
Other Liabilities	1,406,823	1,155,019
<b>Total Liabilities</b>	15,433,902	15,582,052
<b>Deferred Inflows of Resources</b>	2,704,865	1,931,757
<b>Net Position</b>		
Net investment in capital assets	27,227,039	25,915,470
Restricted	1,197,047	1,183,939
Unrestricted	17,779,570	14,840,542
<b>Total Net Position</b>	\$ 46,203,656	\$ 41,939,951

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations (without constraints established by debt covenants, enabling legislation or other legal requirements), increased \$2.9 million from \$14.8 million to \$17.8 million at December 31, 2025. Restricted net position, which includes legal restrictions, remained consistent. Net investment in capital assets increased by \$1.3 million (5%).

**(Table 2)**  
**Changes in Net Position**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
<b>OPERATING REVENUES:</b>		
Water sales	\$ 6,235,005	\$ 5,754,901
Other operating income	126,652	167,504
<b>Total operating revenues</b>	<b>6,361,657</b>	<b>5,922,405</b>
<b>OPERATING EXPENSES:</b>		
Water supply	523,572	443,717
Water treatment	882,932	878,182
Transmission and distribution	1,994,933	1,820,997
Customer accounts	1,006,019	944,468
General and administrative	1,029,364	1,046,692
Depreciation	1,072,514	1,187,703
<b>Total operating expenses</b>	<b>6,509,334</b>	<b>6,321,759</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(147,677)</b>	<b>(399,354)</b>
<b>NON-OPERATING INCOME (EXPENSES):</b>		
Interest income	581,280	652,484
Other income	357,845	274,003
PFAS Settlement Revenue	2,011,651	-
Gain on disposal of capital assets	(21,332)	27,917
Interest expense	(370,067)	(377,413)
Amortization of deferred rate case	(36,674)	(37,674)
Amortization of bond discount and premium	(2,563)	(2,563)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<b>2,520,140</b>	<b>536,754</b>
Capital grants	303,094	86,620
Capital contributions	1,588,148	1,349,592
Increase in net position	\$ 4,263,705	\$ 1,573,612
Net position, beginning of year	41,939,951	40,366,339
Net position, end of year	\$ 46,203,656	\$ 41,939,951

Operating revenues increased by 7% while operating expenses increased by 3% compared to the prior year. Water sales revenue increased by \$480,104 (8.3%) from \$5,754,901 in 2024 to \$6,235,005 in 2025. This increase reflects a combination of rate adjustments and increased consumption demand. Water sales constitute the vast majority of operating revenues at 98% of the total, underscoring the District's dependence on water delivery as its core revenue source. The most significant non-operating item in 2025 was the recognition of \$2,011,651 in PFAS settlement revenue, which had no corresponding amount in 2024. This settlement represents compensation related to potential PFAS contamination and is a non-recurring item. The amortization of deferred rate case related to the 2023-00252 rate case expense with the PSC.

## Capital Assets and Debt Administration

### Capital Assets

At December 31, 2025 and 2024, the District had \$38.6 million and \$37.2 million invested in a variety of capital assets, as reflected in the following tables:

**(Table 3)**  
**Capital Assets (Net of Depreciation)**  
**as of December 31, 2025 and 2024**

	2025	2024
Non-Depreciable Assets:		
Land and land rights	\$ 3,157,372	\$ 3,157,374
Construction in progress	275,950	157,983
Depreciable Assets:		
Plant and equipment	35,126,427	33,907,737
Total capital assets, net of depreciation	\$ 38,559,749	\$ 37,223,094

**(Table 4)**  
**Changes in Capital Assets**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
Beginning balance	\$ 37,223,093	\$ 36,946,398
Additions	2,435,184	1,500,349
Retirements	(26,015)	(35,950)
Depreciation	(1,072,514)	(1,187,703)
Ending balance	\$ 38,559,748	\$ 37,223,094

### Debt

At December 31, 2025 and 2024, the District had \$11.1 million and \$11.3 million, in revenue bonds outstanding. A total of \$231,000 is due within the 2026 calendar year.

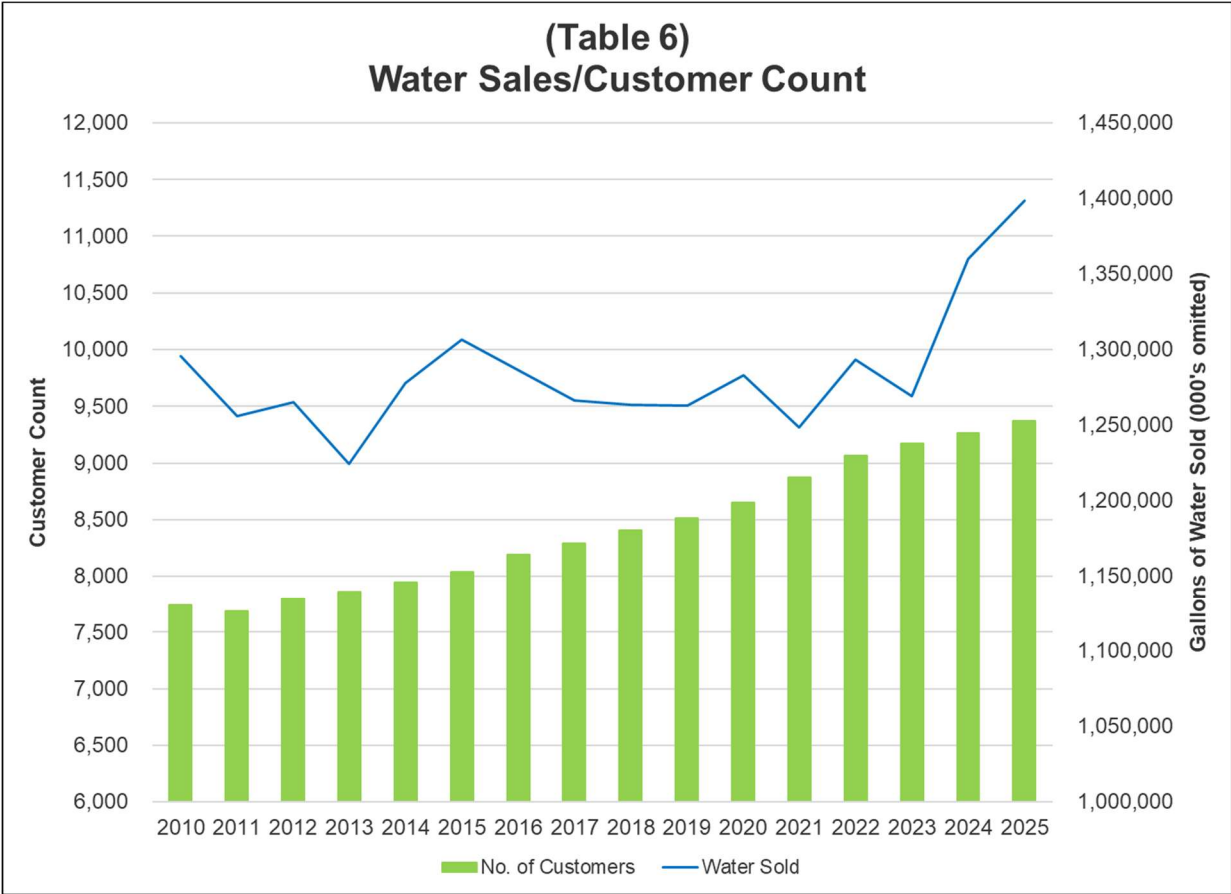
**(Table 5)**  
**Outstanding Debt**  
**as of December 31, 2025 and 2024**

	2025	2024
Revenue bonds	\$ 11,156,100	\$ 11,376,100
Loans	-	-
Unamortized discount	(65,913)	(68,476)
Unamortized premium	-	-
	\$ 11,090,187	\$ 11,307,624

**District Challenges for the Future**

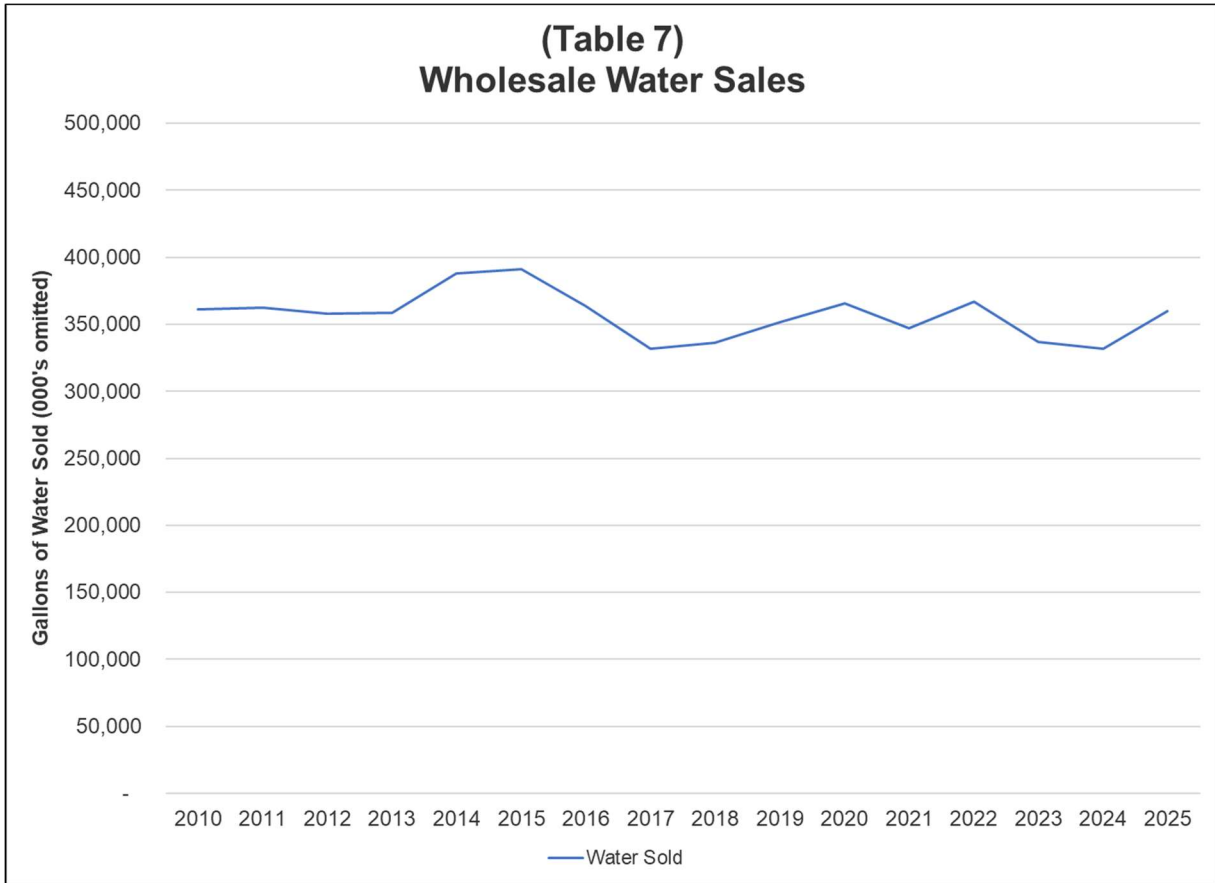
The District remains in a strong financial position. As it navigates growing customer demand, aging infrastructure, and declining water consumption, the District will rely on prudent financial planning including rate setting, cost discipline, and capital stewardship to deliver quality services. The District will also continue to monitor and adapt to evolving water quality standards to ensure ongoing compliance.

Despite the influence of economic factors and increasingly efficient water-saving fixtures, gallons of water sold increased by 103 million gallons or 8% compared to fifteen years prior (2010), driven primarily by retail water consumption. Over the same period, the District’s customer count grew by 1,629, a 21% increase.



The District’s largest retail customer accounted for 18% of the water sold in 2025. Over the prior eight years, this customer’s purchases have fluctuated between 14% and 20% of total water sold which has a significant influence on the District’s total revenue.

The District’s wholesale purchases have remained relatively stable over the past fifteen years, accounting for 26% of the water sold in 2025.



**Contacting the District’s Financial Management**

This financial report is designed to provide our customers and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Lacey Cunningham, Finance & Administrative Manager, P.O. Box 51, Buckner, Kentucky 40031, (502) 222-1690.

**OLDHAM COUNTY WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2025**

**ASSETS**

Current assets

Cash	\$ 15,894,141
Customer accounts receivable, net	749,883
Other receivables	228,018
PFAS receivable - current	321,243
Lease receivable - current	91,657
Interest receivable	17,460
Prepaid expenses	26,836
Inventory	<u>998,094</u>
Total current assets	<u>18,327,332</u>

Noncurrent assets

Restricted cash	1,197,047
Deferred rate case	36,674
PFAS receivable - noncurrent	445,658
Lease receivable - noncurrent	1,674,686
Regulatory asset - CERS pension	3,124,392
Regulatory asset - CERS OPEB	333,474

Capital assets

Nondepreciable capital assets	3,433,322
Property, plant and equipment, net	<u>35,126,427</u>
Total noncurrent assets	<u>45,371,680</u>

Total assets	<u>63,699,012</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows - pension	303,475
Deferred outflows - OPEB	<u>339,936</u>
Total deferred outflows of resources	<u>643,411</u>
Total assets and deferred outflows of resources	<u>\$ 64,342,423</u>

**LIABILITIES**

Current liabilities

Accounts payable	\$ 407,936
Accrued compensated absences	209,843
Tax collections	19,076
Other collections	188,246
Accrued payroll and taxes	129,222
Other accrued expenses	36,486
Accrued interest	185,014
Current portion of bonds payable	<u>231,000</u>
Total current liabilities	<u>1,406,823</u>

Noncurrent liabilities

Noncurrent bonds payable	10,859,187
Net pension liability	3,114,110
Net OPEB liability	<u>53,782</u>

Total noncurrent liabilities	<u>14,027,079</u>
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Total liabilities	<u>15,433,902</u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows - pension	313,757
Deferred inflows - OPEB	619,628
Deferred inflows - leases	<u>1,771,480</u>
Total deferred inflows of resources	<u>2,704,865</u>

**NET POSITION**

Net investment in capital assets	27,227,039
Restricted for debt service	416,014
Restricted for depreciation	747,000
Restricted for deposits	34,033
Unrestricted	<u>17,779,570</u>
Total net position	<u>46,203,656</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 64,342,423</u>
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The accompanying notes are an integral  
part of the financial statements.

**OLDHAM COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
for the year ended December 31, 2025

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<b>OPERATING REVENUE</b>	
Water sales	\$ 6,235,005
Other operating income	<u>126,652</u>
Total operating revenue	<u>6,361,657</u>
<b>OPERATING EXPENSES</b>	
Water supply	523,572
Water treatment	882,932
Transmission and distribution	1,994,933
Customer accounts	1,006,019
General and administrative	1,029,364
Depreciation	<u>1,072,514</u>
Total operating expenses	<u>6,509,334</u>
Operating income (loss)	(147,677)
Non-operating revenue (expenses)	
Interest income	581,280
Other income	357,845
PFAS settlement revenue	2,011,651
Gain (loss) on disposal of capital assets	(21,332)
Interest expense	(370,067)
Amortization of deferred rate case	(36,674)
Amortization of bond discount	<u>(2,563)</u>
Total non-operating revenue (expenses)	<u>2,520,140</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>2,372,463</b>
Capital grants	303,094
Capital contributions	<u>1,588,148</u>
Change in net position	4,263,705
Net position, beginning of year	<u>41,939,951</u>
<b>NET POSITION, END OF YEAR</b>	<b><u>\$ 46,203,656</u></b>

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

**OLDHAM COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended December 31, 2025**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 6,335,674
Payments to suppliers	(1,757,570)
Payments for employee services and benefits	<u>(3,618,157)</u>
Net cash provided (used) by operating activities	<u>959,947</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on bonds	(220,000)
Interest paid on bonds	(373,745)
Purchases of capital assets	(1,099,859)
Capital contributed	391,306
Capital grants received	303,094
PFAS settlement proceeds	1,244,750
Proceeds from sale of capital assets	<u>2,430</u>
Net cash provided (used) by capital and related financing activities	<u>247,976</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	584,341
Lease income	139,405
Other income	<u>226,338</u>
Net cash provided (used) by investing activities	<u>950,084</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,158,007
Cash and cash equivalents, beginning of year	<u>14,933,181</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 17,091,188</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (147,677)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,072,514
Changes in assets and liabilities:	
(Increase) decrease in receivables	(25,983)
(Increase) decrease in inventory	(47,979)
(Increase) decrease in prepaids	(3,318)
Increase (decrease) in accounts payable	75,677
Increase (decrease) in accrued payroll	20,885
Increase (decrease) in accrued vacation	3,749
Increase (decrease) in accrued expenses	<u>12,079</u>
Net cash provided by operating activities	<u>\$ 959,947</u>
<b>Reconciliation of total cash and cash equivalents:</b>	
Current assets - cash and cash equivalents	\$ 15,894,141
Restricted cash	<u>1,197,047</u>
Total cash and cash equivalents	<u>\$ 17,091,188</u>
<b>Supplemental disclosure of cash flow information:</b>	
Noncash capital and related financing activities:	
Payables for capital items, net	<u>\$ 132,092</u>

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

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

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**1. DESCRIPTION OF ENTITY**

Brief history - The Oldham County Water District (the District) was created by the order of the county Judge/Executive of Oldham County, Kentucky, on April 16, 1979. The order approved the merger of the existing Ohio River – Oldham Water District and the Oldham County Water District No. 3. The waterworks system of the District is owned and operated by the District under the provisions of Chapters 74 and 106 and Sections 96.350 through 96.510, inclusive, of the Kentucky Revised Statutes.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District follows the accounting policies and procedures set forth by the National Association of Regulatory Utility Commissioners and the guidance provided by the American Water Works Association in *Water Utility Accounting* and is regulated by the Kentucky Public Service Commission. The more significant accounting policies established in GAAP and used by the District are discussed below.

**Reporting Entity**

These financial statements present the District's financial activities. As defined by GASB No. 14, *The Financial Reporting Entity*, as amended by GASB No. 39, *Determining Whether Certain Organizations Are Component Units* the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, the District does not include any component units in its reporting entity.

**Basis of Financial Statements**

All activities of the District are accounted for within a single proprietary (enterprise) fund. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The GAAP applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The proprietary fund financial statements are presented on the accrual basis of accounting. Nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred. Because the District's rates are regulated by the Kentucky Public Service Commission the District accounts for the financial effects of regulation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, Paragraphs 476-500, Regulated Operations. Accordingly, certain costs and income may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The District has defined cash and cash equivalents to include cash on hand and demand deposits. The District considers all highly liquid debt instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

**Restricted Assets**

Restricted assets consist of cash held for future repayment of customer deposits and for cash required to be set aside for future debt service and depreciation reserves as required by bond covenants.

**Accounts Receivable**

The allowance method is used to record uncollectible accounts. At December 31, 2025, accounts receivable was stated net of an allowance for uncollectible accounts of \$26,150. The District does not believe there is any credit risk associated with these receivables due to the large customer base and small individual account balances.

**Capital Assets**

Capital assets and construction in progress with a life extending beyond one operating cycle are recorded at historical cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, if available, or at engineers' estimated fair market value at the date of the contribution. Maintenance and repairs, which do not significantly extend the value or life of property, plant and equipment, are expensed as incurred. Assets are depreciated on the straight-line method. Depreciation on plant and equipment is calculated using the estimated useful lives ranging from 10 to 62.5 years.

**Compensated absences**

The District follows Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The district's policy permits employees to carry forward up to 480 hours of accrued sick leave into the next service year, with the excess paid as a lump sum. Earned but unused sick leave is not paid to employees upon termination. Employees are also permitted to carry forward up to 240 hours of accrued vacation leave into the next service year, with the excess paid as a lump sum. Upon termination of employment, earned but unused vacation time is paid as a lump sum. In accordance with GASB Statement No. 101, the district accrues compensated absences that are more likely than not to be used or paid to employees.

**Defining Operating Revenues and Expenses**

The District distinguishes between operating and non-operating revenue and expenses. Operating revenues and expenses consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

**Net Position**

Net position is divided into three components:

- a. **Net investment in capital assets** – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. **Restricted net position** – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (both federal, state and local) and by other contributors.
- c. **Unrestricted** – all other net position is reported in this category.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**Amortization**

Bond discounts are being amortized using the interest method over the life of each respective bond issue. Expenses related to a rate case which was completed in 2024 are being amortized over three years in accordance with Kentucky Public Service Commission guidelines.

**Capital Contributions**

Capital contributions are recognized in the Statement of Revenues, Expenses and Changes in Net Position when earned. Contributions include capacity fees, capital grants, and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

**Long-term Obligations**

Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums and discounts are deferred and amortized over the life of the bonds. Issuance costs are expensed as incurred.

**Use of Estimates**

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.

**Pensions and OPEB**

For purposes of measuring the net pension liability, net OPEB liability (asset), deferred outflows/inflows of resources, 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 except that CERS's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District's rates are regulated by the Kentucky Public Service Commission. In accordance with GASB Statement No. 62, Paragraphs 476-500, Regulated Operations, which requires that the effects of the rate-making process be recorded in the financial statements, the District has elected to record a regulatory asset for the net pension liability, net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB. Accordingly, the District recognizes the actuarially determined contribution as the current year pension and OPEB expense.

**Management's Review of Subsequent Events**

The District has evaluated and considered the need to recognize or disclose subsequent events through March 30, 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 the District.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of 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, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480. The District does not have a formal investment policy but follows Kentucky Revised Statutes for investing funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The District's deposits at December 31, 2025, were either entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name or were invested in federal obligations. The bank balances of the District's deposits were \$17,111,501 at December 31, 2025; \$821,625 was covered by FDIC, \$15,958,780 was covered by collateral and letters of credit held at the custodial bank in the District's name and \$331,096 was invested in federal obligations.

The District has restricted cash for various purposes including debt service, future construction and customer deposits. The following schedule represents restricted cash at December 31, 2025:

Debt service fund required by bond ordinance	\$	416,014
Depreciation fund required by bond ordinance		747,000
Customer deposits		<u>34,033</u>
 Total restricted cash	 \$	 <u>1,197,047</u>

**4. CAPITAL ASSETS**

A summary of capital asset activity during the year follows:

	<b>Balance</b>			<b>Balance</b>
	<b>January 1, 2025</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31, 2025</b>
Capital assets not depreciated:				
Land and land rights	\$ 3,157,374	\$ -	\$ -	\$ 3,157,374
Construction in progress	<u>157,983</u>	<u>812,068</u>	<u>( 694,103)</u>	<u>275,948</u>
Totals	<u>3,315,357</u>	<u>812,068</u>	<u>(694,103)</u>	<u>3,433,322</u>
Capital assets that are depreciated:				
Plant and equipment	<u>56,552,613</u>	<u>2,317,219</u>	<u>(44,459)</u>	<u>58,825,373</u>
Total capital assets	<u>59,867,970</u>	<u>3,129,287</u>	<u>(738,562)</u>	<u>62,258,695</u>
Less: accumulated depreciation	<u>22,644,876</u>	<u>1,072,514</u>	<u>(18,444)</u>	<u>23,698,946</u>
Capital assets, net	<u>\$ 37,223,094</u>	<u>\$ 2,056,773</u>	<u>\$ (720,118)</u>	<u>\$ 38,559,749</u>

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**5. LONG-TERM DEBT**

The construction costs of the District's water facilities have been financed by issuance of revenue bonds authorized under Kentucky Revised Statutes. All assets of the District are pledged as collateral for these bonds. Information relating to the outstanding bond issues is summarized below:

<b>Bond Issue</b>	<b>Interest Rate</b>	<b>Face Amount</b>	<b>Balance as of 12/31/2025</b>
2010 Series A	3.75%	\$ 4,243,100	\$ 3,424,100
2010 Series B	3.13%	9,000,000	<u>7,732,000</u>
Total bonds payable			11,156,100
Bond discount			<u>(65,913)</u>
Total long-term debt			<u>\$ 11,090,187</u>

	<b>Balance December 31, 2024</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2025</b>
Revenue bonds	\$ 11,376,100	\$ -	\$ 220,000	\$ 11,156,100
Bond discount	(68,476)	-	(2,563)	(65,913)
Net OPEB liability (asset)	(96,684)	150,466	-	53,782
Net pension liability	<u>3,339,409</u>	<u>-</u>	<u>225,299</u>	<u>3,114,110</u>
Total	<u>\$ 14,550,349</u>	<u>\$ 150,466</u>	<u>\$ 442,736</u>	<u>\$ 14,258,079</u>

Future principal and interest requirements for all long-term debt are as follows:

<b>Year ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Interest to be paid by the Federal Government</b>
2026	\$ 231,000	\$ 368,521	\$ 599,521	\$ 44,414
2027	242,000	360,722	602,722	43,325
2028	252,000	352,898	604,898	42,304
2029	265,000	344,055	609,055	41,002
2030	276,000	335,117	611,117	39,756
2031-2035	1,585,000	1,523,537	3,108,537	176,863
2036-2040	1,987,000	1,220,893	3,207,893	132,701
2041-2045	2,492,000	849,496	3,341,496	80,172
2046-2050	2,885,100	397,227	3,282,327	18,991
2051-2052	<u>941,000</u>	<u>44,312</u>	<u>985,312</u>	<u>-</u>
Totals	<u>\$ 11,156,100</u>	<u>\$ 5,796,778</u>	<u>\$ 16,952,878</u>	<u>\$ 619,528</u>

**Bond and Interest Redemption Funds**

There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2010 Series A and 2010 Series B bonds. The District has set aside and is reporting as restricted cash \$416,014 to meet the bond and interest redemption fund requirement.

**Depreciation Fund**

This fund receives, on a monthly basis, \$27,425 until the balance reaches \$747,000. The depreciation fund was fully funded as of December 31, 2025 and the District is reporting restricted cash totaling \$747,000. This fund also receives the proceeds from the sale of any property or equipment. This fund may be used to purchase new or replacement property and equipment.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**6. RETIREMENT PLAN**

The Oldham County Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. 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. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

*Contributions* – For the year ended December 31, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 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 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The 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 basis adopted by the Board.

For the year ended December 31, 2025, participating employers contributed 19.71% through June 30<sup>th</sup> and 18.62% thereafter, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 7. Administrative costs of insurance trust Kentucky Public Pensions Authority 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. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. 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 District contributed \$375,319 for the year ended December 31, 2025, or 100% of the required contribution for non-hazardous job classifications.

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**6. RETIREMENT PLAN (CONTINUED)**

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 1 month of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At December 31, 2025, the District reported a liability of \$3,114,110 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2025, the District's proportion was 0.055963 percent, which was an increase of 0.00012 percent from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the District recognized pension expense of \$392,333. This expense was offset by recording a regulatory asset balance described further in Note 2. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 103,239	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	311,394
Changes in proportion and differences between District contributions and proportionate share of contributions	11,138	2,363
District contributions subsequent to the measurement date	<u>189,098</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 303,475</u></u>	<u><u>\$ 313,757</u></u>

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

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**6. RETIREMENT PLAN (CONTINUED)**

The \$189,098 of deferred outflows of resources 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 and deferred inflows of resources as of December 31, 2025 will be recognized in pension expense as follows:

<b>Year ending December 31,</b>	
2026	\$ 63,712
2027	\$ (108,671)
2028	\$ (101,187)
2029	\$ (53,234)

*Actuarial Assumptions* – The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.50%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, 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 actuarial assumption used in the June 30, 2024 valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

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. As of June 30, 2024, the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>53.00%</b>	
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
<b>Fixed Income</b>	<b>35.00%</b>	
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
<b>Inflation Protected</b>	<b>12.00%</b>	
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
<b>Total</b>	<b>100.00%</b>	<b>4.24%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>6.74%</b>

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

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**6. RETIREMENT PLAN (CONTINUED)**

*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 assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining closed 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate.

*Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<b>Discount rate</b>		<b>District’s proportionate share of net pension liability</b>
1% decrease	5.50%	\$	4,117,063
Current discount rate	6.50%	\$	3,114,110
1% increase	7.50%	\$	2,286,652

*Payable to the Pension Plan* – At December 31, 2025, the District reported a payable of \$36,260 for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description* – As more fully described in Note 6, the District participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – As more fully described in Note 6, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2025, the employer’s contribution was 0.00% through June 30<sup>th</sup> and 0.00% thereafter to the insurance trust for non-hazardous job classifications. 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 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended December 31, 2025, the District contributed \$0, or 100% of the required contribution for non-hazardous job classifications.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

*OPEB Liability, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At December 31, 2025, the District reported an liability for its proportionate share of the net OPEB liability of \$53,782. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 and was rolled forward using generally accepted actuarial procedures. 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 entities, actuarially determined. The District's proportionate share at June 30, 2025 was 0.055997 percent, which was an increase of 0.000103 percent from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the District recognized OPEB expense of (\$136,299). This expense was offset by recording a regulatory asset balance described further in Note 2. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 174,434	\$ 462,368
Changes of assumptions	35,871	30,795
Net difference between projected and actual earnings on Plan investments	-	121,800
Changes in proportion and differences between District contributions and proportionate share of contributions	97,645	4,665
District contributions subsequent to the measurement date	<u>31,986</u>	<u>-</u>
Total	<u>\$ 339,936</u>	<u>\$ 619,628</u>

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

The \$31,986 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2026. This includes an adjustment of \$31,986 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

**Year ending December 31,**

2026	\$ (171,184)
2027	\$ (155,023)
2028	\$ 9,249
2029	\$ 5,280

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service
Investment rate or return	6.50%, net of Plan investment expense, including inflation
<b>Healthcare Trend Rates</b>	
Pre – 65	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 4 years.
Post – 65	Initial trend starting at 8.50% at January 1, 2026, 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, 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 actuarial assumption used in the June 30, 2024 valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

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.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>	<b>53.00%</b>	
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
<b>Fixed Income</b>	<b>35.00%</b>	
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
<b>Inflation Protected</b>	<b>12.00%</b>	
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
<b>Total</b>	<b>100.00%</b>	<b>4.24%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>6.74%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability as of June 30, 2024 was 6.26% for non-hazardous classifications. 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 22-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2025, 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-Bond GO Index”. 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 the District’s Proportionate Share of the Net OPEB Liability (asset) to Changes in the Discount Rate* – The following presents the District’s proportionate share of the net OPEB liability (Asset) calculated using the discount rate 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 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate	Proportionate share of net OPEB liability (asset)
1% decrease	5.26%	\$ 322,708
Current discount rate	6.26%	\$ 53,782
1% increase	7.26%	\$ (172,560)

*Sensitivity of the District’s Proportionate Share of the 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability (asset)
1% decrease	\$ (124,290)
Current trend rate	\$ 53,782
1% increase	\$ 262,240

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

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**8. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

As of January 1, 2022, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. The district has lease agreements with Sprint, T-Mobile and AT&T, and recognizes both a lease receivable and a deferred inflow of resources related to space on its water towers totaling \$1,766,344. Each lease agreement has renewal options at the option of the lessee which the District anticipates will be exercised. The District has calculated the present value of future lease payments based on incremental borrowing rates between 2% and 2.75%, depending on the date of inception of the lease. The present value of expected future minimum leases payments are as follows:

Calendar Year	Principal	Interest	Total
2026	\$ 91,657	\$ 46,083	\$ 137,740
2027	102,741	43,870	146,611
2028	108,942	41,515	150,457
2029	97,337	39,013	136,350
2030	51,597	36,765	88,362
2031-2035	215,361	167,878	383,239
2036-2040	151,980	143,413	295,393
2041-2045	223,688	118,755	342,443
2046-2050	313,717	83,268	396,985
2051-2055	<u>409,323</u>	<u>34,225</u>	<u>443,548</u>
Total	<u>\$ 1,766,343</u>	<u>\$ 754,785</u>	<u>\$ 2,521,128</u>

**9. CAPITAL CONTRIBUTIONS**

The following schedule details the sources of capital contributions for the years ended December 31, 2025 and 2024:

	2025	2024
Developers	\$ 1,203,233	\$ 1,074,736
Customers	<u>384,915</u>	<u>274,856</u>
Total	<u>\$ 1,588,148</u>	<u>\$ 1,349,592</u>

**10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District was insured for workers' compensation, general liability and automobile liability coverage under a retrospectively rated commercial policy. Any settlements did not exceed coverage for each of the past three years.

**11. PFAS SETTLEMENT**

The District elected to participate in national class-action settlements related to per- and polyfluoroalkyl substances (PFAS) contamination involving certain chemical manufacturers. The District recognized revenue related to these settlements of \$2,011,651, during the year ended December 31, 2025. As of December 31, 2025, the District has recognized a receivable of \$766,901, for the portion of this revenue that was not collected during the year. The District understands that the receivable will be collected over a period of multiple years. The District intends to use these funds to offset the costs of PFAS remediation, though they are not legally restricted for that use.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025**

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**12. CONTINGENCIES**

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss.

**REQUIRED SUPPLEMENTARY INFORMATION**

**OLDHAM COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Last Ten Years**

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<b>Reporting Year End (Measurement Date)</b>	<b>December 31, 2016 (June 30, 2016)</b>	<b>December 31, 2017 (June 30, 2017)</b>	<b>December 31, 2018 (June 30, 2018)</b>	<b>December 31, 2019 (June 30, 2019)</b>	<b>December 31, 2020 (June 30, 2020)</b>	<b>December 31, 2021 (June 30, 2021)</b>	<b>December 31, 2022 (June 30, 2022)</b>	<b>December 31, 2023 (June 30, 2023)</b>	<b>December 31, 2024 (June 30, 2024)</b>	<b>December 31, 2025 (June 30, 2025)</b>
District's proportion of the net pension liability	0.034998%	0.035037%	0.036242%	0.039290%	0.043067%	0.041950%	0.044076%	0.054889%	0.055839%	0.055963%
District's proportionate share of the net pension liability (asset)	\$ 1,722,114	\$ 2,050,823	\$ 2,207,248	\$ 2,763,283	\$ 3,303,127	\$ 2,674,642	\$ 3,186,260	\$ 3,521,957	\$ 3,339,409	\$ 3,114,110
District's covered employee payroll	\$ 824,735	\$ 869,703	\$ 908,025	\$ 945,862	\$ 1,130,932	\$ 1,156,977	\$ 1,138,005	\$ 1,442,883	\$ 1,688,326	\$ 1,869,078
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	208.81%	235.81%	243.08%	292.14%	292.07%	231.18%	279.99%	244.09%	197.79%	166.61%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%	65.34%

**OLDHAM COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE  
CONTRIBUTIONS - PENSION  
Last Ten Calendar Years**

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	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually required employer contribution	\$ 109,171	\$ 127,995	\$ 145,797	\$ 201,182	\$ 223,297	\$ 231,420	\$ 323,697	\$ 395,437	\$ 404,213	\$ 375,319
Contributions relative to contractually required employer contribution	<u>109,171</u>	<u>127,995</u>	<u>145,797</u>	<u>201,182</u>	<u>223,297</u>	<u>231,420</u>	<u>323,697</u>	<u>395,437</u>	<u>404,213</u>	<u>375,319</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 824,784	\$ 899,670	\$ 945,862	\$ 1,130,932	\$ 1,156,977	\$ 1,138,005	\$ 1,442,883	\$ 1,688,326	\$ 1,869,078	\$ 1,964,103
Employer contributions as a percentage of covered-employee payroll	13.24%	14.23%	15.41%	17.79%	19.30%	20.34%	22.43%	23.42%	21.63%	19.11%

**OLDHAM COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)  
Last Eight Years**

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Reporting Year End (Measurement Date)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)	December 31, 2022 (June 30, 2022)	December 31, 2023 (June 30, 2023)	December 31, 2024 (June 30, 2024)	December 31, 2025 (June 30, 2025)
District's proportion of the net OPEB liability (asset)	0.0362610%	0.039280%	0.043054%	0.041940%	0.044068%	0.054886%	0.055894%	0.055997%
District's proportionate share of the net OPEB liability (asset)	\$ 643,807	\$ 660,672	\$ 1,039,623	\$ 802,920	\$ 869,688	\$ (75,779)	\$ 96,684	\$ 53,782
District's covered employee payroll	\$ 908,025	\$ 945,862	\$ 1,130,932	\$ 1,156,977	\$ 1,138,005	\$ 1,442,883	\$ 1,688,326	\$ 1,869,078
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	70.90%	69.85%	91.93%	69.40%	76.42%	-5.25%	5.73%	2.88%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%	97.66%

Notes:

The above schedule will present 10 years of historical data, once available.

**OLDHAM COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE  
CONTRIBUTIONS - OPEB  
Last Eight Calendar Years**

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	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually required employer contribution	\$ 47,299	\$ 56,606	\$ 55,072	\$ 50,824	\$ 54,012	\$ 27,781	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>47,299</u>	<u>56,606</u>	<u>55,072</u>	<u>50,824</u>	<u>54,012</u>	<u>27,781</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 945,862	\$ 1,130,932	\$ 1,156,977	\$ 1,138,005	\$ 1,442,883	\$ 1,688,326	\$ 1,869,078	\$ 1,964,103
Employer contributions as a percentage of covered-employee payroll	5.00%	5.01%	4.76%	4.47%	3.74%	1.65%	0.00%	0.00%

**Notes:**

The above schedule will present 10 years of historical data, once available.

**OLDHAM COUNTY WATER DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2025**

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**1. GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Contributions - Pensions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of Contributions - OPEB.

**Payroll**

The District's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Proportionate Share of the Net OPEB Liability / Asset is for the corresponding measurement date of the net liability and asset and differs from the District's calendar year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**2. CHANGES OF ASSUMPTIONS**

**December 31, 2025 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2025, for OPEB:

- The municipal bond rate used in the discount rate determination increased from 3.97% to 5.20%.

**December 31, 2024 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

**December 31, 2023 – Pension and OPEB**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .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 for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

**OLDHAM COUNTY WATER DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2025**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**December 31, 2023 – Pension and OPEB (CONTINUED)**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .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 for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

**December 31, 2022 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

**December 31, 2021 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

**December 31, 2020 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%.

**December 31, 2019 – Pension and OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

**OLDHAM COUNTY WATER DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2025**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**December 31, 2018 – Pension and OPEB**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

**December 31, 2017 – Pension and OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

**December 31, 2016 – Pension and OPEB**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.



**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**

Board of Commissioners  
Oldham County Water District  
La Grange, 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 Oldham County 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 the District's basic financial statements, and have issued our report thereon dated March 30, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
March 30, 2026