

**REID VILLAGE WATER DISTRICT**  
**Mount Sterling, Kentucky**

**Audited Financial Statements**  
**For the year ended December 31, 2025**

## CONTENTS

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|                                                                                                                                                                                                                    | <u>Page</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Auditor's Report                                                                                                                                                                                       | 1-3         |
| <i>Financial Statements</i>                                                                                                                                                                                        | 4           |
| Statement of Net Position                                                                                                                                                                                          | 5           |
| Statement of Revenues, Expenses and Changes in Net Position                                                                                                                                                        | 6           |
| Statement of Cash Flows                                                                                                                                                                                            | 7           |
| Notes to the Financial Statements                                                                                                                                                                                  | 8-22        |
| <i>Required Supplementary Information</i>                                                                                                                                                                          | 23          |
| Schedule of Employer's Proportionate Share of Net Pension Liability                                                                                                                                                | 24          |
| Schedule of Employer's Contributions – Net Pension Liability                                                                                                                                                       | 25          |
| Schedule of Employer's Proportionate Share of Net OPEB Liability                                                                                                                                                   | 26          |
| Schedule of Employer's Contributions – Net OPEB Liability                                                                                                                                                          | 27          |
| Notes to the Required Supplementary Information                                                                                                                                                                    | 28-29       |
| <i>Supplementary Information</i>                                                                                                                                                                                   | 30          |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 31-32       |
| Comparative Statement of Revenues and Expenses                                                                                                                                                                     | 33          |



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## INDEPENDENT AUDITOR'S REPORT

Board Members  
Reid Village Water District  
Mount Sterling, Kentucky

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the business-type activities of the Reid Village Water District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Reid Village Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Reid Village 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards and issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Reid Village Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Reid Village Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 GAAS 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 Reid Village Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Reid Village Water District's ability to continue as a going concern for a reasonable period of time.

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

### **Other Matters**

#### ***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic and historical context. Our opinion on the basic financial statements is not affected by this missing information.

The Schedule of Employer's Proportionate Share of Net Pension Liability, the Schedule of Employer's Contributions – Net Pension Liability, Schedule of Employer's Proportionate Share of Net OPEB Liability and the Schedule of Employer's Contributions – Net OPEB Liability are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Reid Village Water District's basic financial statements. The comparative statement of revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statement of revenues and expenses and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in the notes to the financial statements, accounting principles generally accepted in the United States of America require the Company to record leases in accordance with requirements primarily codified in FASB Accounting Standards Codification section 842 which generally require that all leases are classified as either an operating or financing type lease and that a right of use asset and lease liability is recorded on the balance sheet. Management has not applied this principle of lease classification and, therefore, information about the nature, amount, timing and uncertainty of leases, right-of-use assets and lease liabilities, and cash flows arising from leases may be misstated. The effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2026, on our consideration of the Reid Village Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Reid Village Water District's internal control over financial reporting and compliance.

*Lane & Company LLC*

Mount Sterling, Kentucky

May 20, 2026

This report contains 33 pages.

## FINANCIAL STATEMENTS

Reid Village Water District  
Statement of Net Position  
Proprietary Fund  
December 31, 2025

| ASSETS                                                       |                            |
|--------------------------------------------------------------|----------------------------|
| Current Assets                                               |                            |
| Cash and cash equivalents - unrestricted                     | \$ 209,488                 |
| Cash and cash equivalents - restricted                       | 206,231                    |
| Accounts receivable - net of allowance for doubtful accounts | 77,626                     |
| Prepaid expenses                                             | <u>9,839</u>               |
| Total Current Assets                                         | <u>503,184</u>             |
| Noncurrent Assets                                            |                            |
| Capital assets: (note 1)                                     |                            |
| Land                                                         | 107,000                    |
| Plant, equipment and lines                                   | 2,183,509                  |
| Less accumulated depreciation                                | <u>(1,165,446)</u>         |
| Total Noncurrent Assets                                      | <u>1,125,063</u>           |
| Deferred Outflows of Resources                               | <u>196,688</u>             |
| Total Assets and Deferred Outflows of Resources              | <u><u>\$ 1,824,935</u></u> |
| LIABILITIES                                                  |                            |
| Current Liabilities                                          |                            |
| Accrued expenses                                             | \$ 35,488                  |
| Accrued interest                                             | 12,112                     |
| Deposits payable                                             | 15,512                     |
| Current portion of bonds/notes payable                       | <u>33,272</u>              |
| Total Current Liabilities                                    | <u>96,384</u>              |
| Noncurrent Liabilities                                       |                            |
| Net pension liability                                        | 302,769                    |
| Net OPEB liability                                           | 5,229                      |
| Bonds/notes payable                                          | <u>730,264</u>             |
| Total Noncurrent Liabilities                                 | <u>1,038,262</u>           |
| Deferred Inflows of Resources                                | <u>105,655</u>             |
| Total Liabilities and Deferred Outflows of Resources         | <u><u>1,240,301</u></u>    |
| NET POSITION                                                 |                            |
| Net investment in capital assets                             | 361,527                    |
| Restricted                                                   | 190,719                    |
| Unrestricted                                                 | <u>32,388</u>              |
| Total Net Position                                           | <u><u>\$ 584,634</u></u>   |

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

Reid Village Water District  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the year ended December 31, 2025

|                                      |                          |
|--------------------------------------|--------------------------|
| Operating Revenues                   |                          |
| User fees                            | \$ 774,751               |
| Penalties & charges                  | <u>16,810</u>            |
| Total Operating Revenues             | <u>791,561</u>           |
| Operating Expenses                   |                          |
| Water purchased                      | 276,157                  |
| Vehicle expense                      | 5,430                    |
| Postage                              | 7,429                    |
| Professional fees                    | 5,500                    |
| Salaries                             | 218,384                  |
| Insurance                            | 18,601                   |
| Utilities & telephone                | 19,294                   |
| Water samples                        | 3,986                    |
| Taxes                                | 25,963                   |
| Repairs & maintenance                | 66,284                   |
| Miscellaneous expenses               | 10,130                   |
| Office supplies                      | 1,683                    |
| Employee benefits                    | 45,853                   |
| Bad debt expense                     | 955                      |
| Retirement                           | 152,691                  |
| Depreciation                         | <u>53,594</u>            |
| Total Operating Expenses             | <u>911,934</u>           |
| Operating Income (Loss)              | <u>(120,373)</u>         |
| Nonoperating Revenues (Expenses)     |                          |
| Tap fees                             | 10,729                   |
| Nonoperating revenue - other         | 35,814                   |
| Interest income                      | 452                      |
| Interest expense                     | <u>(28,359)</u>          |
| Net Nonoperating Revenues (Expenses) | <u>18,636</u>            |
| Change in Net Position               | (101,737)                |
| Total Net Position - beginning       | 728,606                  |
| Prior period adjustment              | <u>(42,235)</u>          |
| Total Net Position - ending          | <u><u>\$ 584,634</u></u> |

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

Reid Village Water District  
Statement of Cash Flows  
Proprietary Fund  
December 31, 2025

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|                                                                                   |                          |
|-----------------------------------------------------------------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                          |
| Operating revenues                                                                | \$ 773,397               |
| Cash paid to employees                                                            | (218,384)                |
| Non-operating revenue                                                             | 35,814                   |
| Cash paid for general and administrative expenses                                 | <u>(521,533)</u>         |
| Net Cash provided / (used) by operating activities                                | <u>69,294</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                          |
| Interest earned                                                                   | 452                      |
| Customer deposits                                                                 | <u>(545)</u>             |
| Net Cash provided / (used) by investing activities                                | <u>(93)</u>              |
| <b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</b>                          |                          |
| Tap fees                                                                          | 10,729                   |
| Bond/note payments - principal                                                    | (32,190)                 |
| Purchase of capital assets                                                        | (10,983)                 |
| Bond/note payments - interest                                                     | <u>(28,359)</u>          |
| Net Cash provided / (used) in capital and financing activities                    | <u>(60,803)</u>          |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                              | 8,398                    |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR                                     | <u>407,321</u>           |
| CASH AND CASH EQUIVALENTS - END OF THE YEAR                                       | <u><u>\$ 415,719</u></u> |
| <b>RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>               |                          |
| Net Operating Income                                                              | \$ (120,373)             |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: |                          |
| (increase) / decrease in prepaid expenses                                         | (896)                    |
| (increase) / decrease in accounts receivable                                      | (18,164)                 |
| Non-operating revenue                                                             | 35,814                   |
| depreciation                                                                      | 53,594                   |
| increase / (decrease) in pension/OPEB expense due to GASB 68/75                   | 115,205                  |
| increase / (decrease) in accounts payable                                         | <u>4,114</u>             |
| Net cash provided / (used) by operating activities                                | <u><u>\$ 69,294</u></u>  |

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

REID VILLAGE WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2025

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The Reid Village Water District is a water utility which services areas of Montgomery County including Reid Village. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created November 1961. The District began operations in 1964. The District is subject to the regulatory District of the Kentucky Public Service Commission pursuant to KRS 278.040.

**Note 1 - Summary of Significant Accounting Policies**

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

**The Reporting Entity**

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Reid Village Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of governing District, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service, and financing relations.

Based on the foregoing criteria, there are no other organizations included in these financial statements.

**Depreciation Reserve Fund** – The bond ordinances with USDA require monthly transfers to be made into this fund in the amount of \$395. Only expenditures for capital improvements or extraordinary expenses are permitted to be paid from this fund. The required balance is \$47,400. The District had set aside \$106,544.

**Bond and Interest Sinking Fund** - The bond ordinances with USDA require monthly transfers to be made into this account in an amount equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date for all outstanding bonds and one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding due date. The required balance of the fund at December 31, 2025 was \$56,503. The District had set aside \$60,175.

**Maintenance and Replacement Reserve** - The Assistance Agreement with Kentucky Infrastructure Authority requires the District to deposit \$900/year into a maintenance and replacement reserve account until the amount in the account is equal to \$9,000. The District had set aside \$22,590.

**Enterprise Funds**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (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 net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segmented into net investment in capital assets, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are operating grants and tenant rental revenue. Operating expenses of the District include the cost of producing the revenue and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Basis of Accounting**

The records of the District are maintained, and the budgetary process is based on the cash basis method of accounting. Adjustments have been made to properly reflect the account balances.

**Cash**

The District considers all investments with a maturity date of three months or less from date of purchase to be cash equivalents. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents. At December 31, 2025, District's deposits consisted of:

| Account Description                         | Restricted | Unrestricted | Total      |
|---------------------------------------------|------------|--------------|------------|
| Traditional Bank: Operating and Maintenance |            | \$ 398       | \$ 398     |
| Traditional Bank: Cash on Hand              |            | 100          | 100        |
| Traditional Bank: Revenue Fund              |            | 208,990      | 208,990    |
| Traditional Bank: Bond & Interest           | 60,175     |              | 60,175     |
| Traditional Bank: Depreciation Fund         | 106,544    |              | 106,544    |
| Traditional Bank: KIA Reserve & Main        | 22,590     |              | 22,590     |
| Traditional Bank: Customer Deposits         | 16,922     |              | 16,922     |
| Traditional Bank: Project Fund              | -          |              | -          |
| Total                                       | \$ 206,231 | \$ 209,488   | \$ 415,719 |

**Deposits secured:**

|                                                                                                                | Reconciled Bank<br>Balance | Deposits in<br>Bank |
|----------------------------------------------------------------------------------------------------------------|----------------------------|---------------------|
| Insured by FDIC                                                                                                | \$ 250,000                 | \$ 250,000          |
| Collateralized with specific<br>securities in the entity's name<br>which are held by financial<br>institutions | 165,719                    | 170,166             |

**Capital Assets**

Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

| <u>Class</u>       | <u>Life</u> |
|--------------------|-------------|
| Water lines, tanks | 50 years    |
| Vehicle/equipment  | 5 years     |

The District's capitalization policy is as follows: expenditures costing more than \$1,000 with an estimated useful life greater than one year are capitalized; all others are expensed.

**Budgets and Budgetary Accounting**

The district follows these procedures in establishing the budgetary data reflected in the financial statements:

- Formal budgetary integration is employed as a management control device during the year for the enterprise funds. These budgets are prepared on the cash basis of accounting.
- Unused appropriations for all of the above annually budgeted funds lapse at the end of year.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use by external restrictions.

### Accounts Receivable

The receivable reflected in the statements in the amount of \$77,626 is net of allowance for uncollectibles in the amount of \$4,085.

### 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 at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Leases

The entity has obligations as a lessee for office space, computers, and other office equipment with initial noncancelable terms in excess of one year. The entity classified these leases as operating leases. These leases generally contain renewal options<sup>5</sup> for periods ranging from two to five years. Because the entity is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The entity's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the entity's leases, variable payments.

### Note 2 – Notes/Bonds Payable

The amount shown in the accompanying financial statements as long-term debt represents the District's future obligation to make loan payments from future revenues. At December 31, 2025, three separate loans had outstanding balances. Details of each of these issues are summarized as follows:

#### Note A

Lender – Rural Development

Balance of loan - \$217,500

Rate – 4.875%

Principal due January 1

Interest due January 1 and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

#### Note B

Lender – Rural Development

Balance of loan - \$287,800

Rate – 4.375%

Principal due January 1

Interest due January 1 and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

#### Note C

Lender – Kentucky Infrastructure Authority (KIA)

Balance of loan - \$258,236

Rate – 1.75%

Principal & Interest due June 1 and December 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon five (5) days notice.

## Maturities

|           | Principal  | Interest   | Total Payment |
|-----------|------------|------------|---------------|
| 2026      | \$ 30,000  | \$ 36,550  | \$ 66,550     |
| 2027      | 35,800     | 31,000     | 66,800        |
| 2028      | 37,500     | 30,000     | 67,500        |
| 2029      | 34,225     | 33,000     | 67,225        |
| 2030      | 33,400     | 34,000     | 67,400        |
| 2031-2035 | 186,000    | 153,750    | 339,750       |
| 2036-2040 | 218,000    | 128,925    | 346,925       |
| 2041-2045 | 188,611    | 99,900     | 288,511       |
| Total     | \$ 763,536 | \$ 547,125 | \$ 1,310,661  |

|       | Outstanding<br>1/1/2025 | Issued | Retired   | Outstanding<br>12/31/2025 | Due Within<br>One Year |
|-------|-------------------------|--------|-----------|---------------------------|------------------------|
| USDA  | \$ 527,100              | \$ -   | \$ 21,800 | \$ 505,300                | \$ 22,700              |
| KIA   | 268,626                 | -      | 10,390    | 258,236                   | 10,572                 |
| Total | \$ 795,726              | \$ -   | \$ 32,190 | \$ 763,536                | \$ 33,272              |

## Note 3 - Pension Plan

The District's employees are not covered by any retirement plan.

## Note 4 - Leave Policies

The District's employees with one year receive two weeks of vacation, employees with two-five years receive three weeks of vacation, employees with six to ten years receive four weeks of vacation, employees with over ten years received five weeks of vacation. Employees are not permitted to carryover vacation leave from one year to another. Sick leave is on an individual basis and decided by the commissioners. Employees with one year or less receive one-half personal day per month, while employees with over one year receive one personal day per month. Personal days are not carried over.

## Note 5 - Changes in Capital Assets

The following is a summary of changes in the capital assets for the year:

|                                                    | Balance,<br>1/1/2025 | Transfers/<br>Additions | Deletions | Balance,<br>12/31/2025 |
|----------------------------------------------------|----------------------|-------------------------|-----------|------------------------|
| Land                                               | \$ 107,000           | \$ -                    | \$ -      | \$ 107,000             |
| Property, plant & equipment                        | 2,172,527            | 10,983                  | -         | 2,183,510              |
| Capital assets, gross                              | \$ 2,279,527         | \$ 10,983               | \$ -      | \$ 2,290,510           |
| Accumulated depreciation                           | \$ 1,111,852         | \$ 53,594               | \$ -      | \$ 1,165,446           |
| Capital assets, net of<br>accumulated depreciation | \$ 1,167,675         |                         |           | \$ 1,125,064           |

## Note 6 - Revenue Bonds

Water and Revenue Bonds constitute special obligations of the District solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions, which require the District to maintain pledged revenues. The District must transfer monthly 1/6 of the next succeeding interest payment and 1/12 of the next succeeding principal payment from the operations and maintenance account into the bond and interest sinking account. The District also must transfer \$395 per month into a depreciation fund.

Note 7 – Defined Benefit Pension Plan  
Discussion

## Accounting Standards

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 68 establishes standards of financial reporting for employers whose employees participate in a pension plan.

The following discussion provides a summary of the information that is required to be disclosed under GASB Statement No. 68. A number of the required disclosure items under this standard are provided in this report. However, certain information, such as notes regarding accounting policies and investments, are not included in this report. As a result, the employers are responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards. Much of this additional information can be readily obtained from KPPA's 2025 Annual Report.

## Financial Reporting Overview

GASB 68 requires employers to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability as measured using the individual entry age normal actuarial cost method less the market value of assets (not the smoothed actuarial value of assets used in the actuarial funding calculations based on the Board's adopted assumptions and methods).

## Timing of the Valuation

For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2024. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2025 using generally accepted actuarial principles.

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2024.

## Employer Contributions after the Measurement Date and before the Employer's Fiscal Year End

Paragraph 57 of GASB No. 68 indicates that employer contributions made subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions made to the pension plan subsequent to June 30, 2025.

## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

A single discount rate of 6.50% was used to measure the total pension liability for the non-hazardous plan and the hazardous plan for the fiscal year ending June 30, 2025. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

The projection of cash flows used to determine the single discount rate for each plan must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each pension plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions.

#### Methodology for Proportionate Shares

The proportionate share(s) of the Collective Pension Amounts for employers that participate in these cost-sharing multiple employer plans is provided in Appendix A and Appendix B of this report and was determined using the employers' actual contributions for the fiscal year ending June 30, 2025. This method is expected to be reflective of the employers' long-term contribution effort as well as be transparent to individual employers and their external auditors.

#### Non-Employer Contributions

Non-employer contributions will be allocated according to each employer's proportionate share, as described previously. There were no non-employer contributions made during fiscal year ending June 30, 2025 for either the non-hazardous or hazardous plans.

#### Summary of Population Statistics

The total pension liability described in this report is based on the plan membership as of June 30, 2024:

|                                                                   | <u>Non-Hazardous</u> | <u>Hazardous</u> |
|-------------------------------------------------------------------|----------------------|------------------|
|                                                                   | (1)                  | (2)              |
| Inactive plan members currently receiving benefits:               | 72,385               | 11,853           |
| Inactive plan members entitled to but not yet receiving benefits: | 115,789              | 4,418            |
| Active plan members:                                              | 80,440               | 9,678            |
| Total plan members:                                               | 268,614              | 25,949           |

#### Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB Statement No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive members) determined as of the beginning of the measurement period.

At the beginning of the 2025 measurement period, the table below provides the expected remaining service lives of all employees and the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2025 measurement period for the non-hazardous and hazardous plans.

|                                                                  | <u>Non-Hazardous</u> | <u>Hazardous</u> |
|------------------------------------------------------------------|----------------------|------------------|
|                                                                  | (1)                  | (2)              |
| Total expected remaining service lives of all employees (years): | 704,646              | 109,971          |
| Total plan members:                                              | 268,614              | 25,949           |
| Average expected remaining service life (years):                 | 2.62                 | 4.24             |

Differences between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows

and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

#### Notes to Schedule of Employers' Contributions for FYE 2025

The actuarially determined contributions effective for fiscal year ending 2025 that are documented in the schedule on the previous page were calculated as of June 30, 2023.

Based on the June 30, 2023 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below.

|                                              | <u>Non-Hazardous Plan</u>                                                                                                                                                          | <u>Hazardous Plan</u>                                                                                                                                                              |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Determined by the Actuarial Valuation as of: | June 30, 2023                                                                                                                                                                      | June 30, 2023                                                                                                                                                                      |
| Actuarial Cost Method:                       | Entry Age Normal                                                                                                                                                                   | Entry Age Normal                                                                                                                                                                   |
| Asset Valuation Method:                      | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized                                                                  | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized                                                                  |
| Amortization Method:                         | Level Percent of Pay                                                                                                                                                               | Level Percent of Pay                                                                                                                                                               |
| Amortization Period:                         | 30-year closed period at June 30, 2019<br><i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>                               | 30-year closed period at June 30, 2019<br><i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>                               |
| Payroll Growth Rate                          | 2.00%                                                                                                                                                                              | 2.00%                                                                                                                                                                              |
| Investment Return:                           | 6.50%                                                                                                                                                                              | 6.50%                                                                                                                                                                              |
| Inflation:                                   | 2.50%                                                                                                                                                                              | 2.50%                                                                                                                                                                              |
| Salary Increases:                            | 3.30% to 10.30%, varies by service                                                                                                                                                 | 3.55% to 19.05%, varies by service                                                                                                                                                 |
| Mortality:                                   | 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 | 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 |
| Phase-In provision:                          | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018                                                                      | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018                                                                      |

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 are summarized in the tables below. The current long-term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous plan.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|--------------------|--------------------------|---------------------------------------------------|
| <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>                  | <b>100.00%</b> | <b>4.69%</b> |
| <b>Long Term Inflation Assumption</b>        |                | <b>2.50%</b> |
| <b>Expected Nominal Return for Portfolio</b> |                | <b>6.74%</b> |

The following information is specific to this entity.

Contribution Rates and Amounts for CERS Non-Hazardous

| Period                  | Pension | Insurance | Total  | Pension         | Insurance   | Employee        |
|-------------------------|---------|-----------|--------|-----------------|-------------|-----------------|
| 01/01/2025 - 06/30/2025 | 19.71%  | 0.00%     | 19.71% | \$19,009        | \$ -        | \$ 4,822        |
| 07/01/2025 - 12/31/2025 | 18.62%  | 0.00%     | 18.62% | 18,477          | -           | 4,962           |
|                         |         |           |        | <u>\$37,486</u> | <u>\$ -</u> | <u>\$ 9,784</u> |

Net pension liability – \$302,769

Proportionate share – .005441%

Recognized pension expense – \$151,158

Deferred outflows and inflows related to pension expense:

|                                                                                                               | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual liability experience                                                  | \$ 10,037                            | \$ -                                |
| Effects of changes in assumptions                                                                             | -                                    | -                                   |
| Differences between projected and actual earnings on plan                                                     | 11,174                               | 41,449                              |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 79,138                               | -                                   |
| Contributions subsequent to the measurement date                                                              | 18,477                               | -                                   |
| Total                                                                                                         | <u>\$ 118,826</u>                    | <u>\$ 41,449</u>                    |

Reported as net effect of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Amount           |
|-------------------------|------------------|
| 2026                    | \$ 84,209        |
| 2027                    | (10,297)         |
| 2028                    | (9,838)          |
| 2029                    | (5,174)          |
| 2030                    | -                |
| Thereafter              | -                |
| Total                   | <u>\$ 58,900</u> |

*Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate* - The following presents the net pension liability of the System, calculated using the discount rate of 6.50%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate for non-hazardous:

|                                                  | 1%<br>Decrease | Current<br>Discount Rate | 1%<br>Increase |
|--------------------------------------------------|----------------|--------------------------|----------------|
| Proportionate share of the net pension liability | \$ 400,281     | \$ 302,769               | \$ 222,320     |

## Note 8 - Other Postemployment Benefits Plan (OPEB)

### Discussion

#### Report Purpose and Scope

GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than OPEBs, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The following discussion provides a summary of the information that is required to be disclosed under GASB Statement No. 75. A number of the required disclosure items under this standard are provided in this report. However, certain information, such as notes regarding accounting policies and investments, are not included in this report. As a result, the employers are responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards. Much of this additional information can be readily obtained from KPPA's 2025 Annual Report.

#### Financial Reporting Overview

GASB 75 requires employers to recognize the net OPEB liability and the OPEB expense on their financial statements. The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability as measured using the individual entry age normal actuarial cost method less the market value of assets (not the smoothed actuarial value of assets used in the actuarial funding calculations based on the Board's adopted assumptions and methods).

#### Timing of the Valuation

For the employer's financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2024. The total OPEB liability was rolled forward from the valuation date to the measurement date at June 30, 2025, using generally accepted actuarial principles.

The discount rate used to calculate the total OPEB liability increased from 5.99% to 6.26% for the non-hazardous plan and from 6.02% to 6.24% for the hazardous plan (see further discussion on the calculation of the single discount rate later in this section of the report). The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.

Senate Bill 10 passed during the 2025 legislative session and increased the insurance benefit for members who began participation on or after July 1, 2003 to \$40 a month for non-hazardous CERS service and \$50 a month for hazardous CERS service, effective January 1, 2026. These increases are only payable when a member is not eligible for Medicare benefits and only if they have met certain service thresholds at retirement. Additionally, this legislation increases the insurance member contribution rate for hazardous members from 1% of pay to 2% of pay, effective July 1, 2026, and extended the required member contribution to CERS members hired on or after July 1, 2003 but prior to September 1, 2008 for both funds. There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2024. It is our opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB Statement No. 75.

#### Employer Contributions after the Measurement Date and before the Employer's Fiscal Year End

GASB No. 75 indicates that employer contributions made subsequent to the measurement date of the Net OPEB Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources. The information contained in this report does not incorporate any contributions made to the plan subsequent to June 30, 2025.

#### Single Discount Rate

Single discount rates of 6.26% for the CERS non-hazardous insurance plan and 6.24% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2025. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 5.20%, as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2025. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Methodology for Proportionate Shares

The proportionate share of the Collective OPEB Amounts for employers that participate in these cost-sharing multiple employer plans is provided in Appendix A and Appendix B of this report. The proportionate share of the Collective OPEB Amounts for employers that participate in the CERS non-hazardous insurance plan was determined using the employers' actual salary for the fiscal year ending June 30, 2025. No employer contributions were required for the non-hazardous insurance plan for the fiscal year but future contributions, if required, will be collected as a percentage of pay.

The proportionate share of the Collective OPEB Amounts for employers that participate in the CERS hazardous insurance plan was determined using the employers' actual contributions for the fiscal year ending June 30, 2025.

These methods used are expected to be reflective of the employers' long-term contribution effort as well as be transparent to individual employers and their external auditors.

Non-Employer Contributions

Non-employer contributions will be allocated according to each employer's proportionate share, as described previously. There were no non-employer contributions during fiscal year ending June 30, 2025 for either the non-hazardous or hazardous plan.

Summary of Population Statistics

The total OPEB liability described in this report is based on the plan membership as of June 30, 2024:

| Membership Status                                                 | <u>Non-Hazardous</u><br>(1) | <u>Hazardous</u><br>(2) |
|-------------------------------------------------------------------|-----------------------------|-------------------------|
| Inactive plan members currently receiving benefits:               | 38,993                      | 8,260                   |
| Inactive plan members entitled to but not yet receiving benefits: | 26,288                      | 796                     |
| Active plan members:                                              | 80,072                      | 9,638                   |
| Total plan members:                                               | <u>145,353</u>              | <u>18,694</u>           |

Note, the membership counts for the health insurance plans may be different than the membership counts for the pension plans due to differences in vesting provisions and the coordination of the delivery of health insurance benefits to members that have earned service in more than one system operated by KPPA.

Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 86 of GASB Statement No. 75, *differences between expected and actual experience and changes in assumptions* are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive members) determined as of the beginning of the measurement period.

At the beginning of the 2025 measurement period, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2025 measurement period was the following for each insurance plan.

| Development of the Average Expected<br>Remaining Service Life       | Non-Hazardous | Hazardous |
|---------------------------------------------------------------------|---------------|-----------|
|                                                                     | (1)           | (2)       |
| Total expected remaining service lives of all<br>employees (years): | 681,611       | 110,968   |
| Total plan members:                                                 | 145,353       | 18,694    |
| Average expected remaining service life (years):                    | 4.69          | 5.94      |

Differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

#### Implicit Subsidy

GASB Statements No. 75 and No. 68 are conceptually very similar in terms of the liability which is recognized on the balance sheet, the expense calculation, and the corresponding deferred outflows and inflows of resources. The main differences between the standards are related to the differences between pension and health care benefits. In particular, there is a concept referred to as the “implicit subsidy” that applies to health plans which utilize a blended premium, which has no counterpart in GASB Statement No. 68. The “implicit” or “hidden” subsidy refers to the difference between the underlying retiree claims costs and the overall health care premiums paid on behalf of retirees. By “overall”, we mean the combined employer and retiree portions of the premiums. GASB defines the employer provided OPEB benefit as the difference between the underlying claims costs (or age-adjusted premiums) and the premium contributions made by retirees. If the overall premiums for retirees were developed solely on the claims experience of the retirees, there would be no implicit subsidy and the employer portion of the overall retiree premiums would coincide with GASB’s definition of the OPEB benefit. However, the fully-insured premiums paid to the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to all participants, there is an implicit employer subsidy for the non-Medicare eligible retirees.

GASB defines the employer provided OPEB benefit as the difference between the underlying claims costs and the premium contributions made by retirees. As a result, the employer’s portion of the blended health care premium is not what GASB considers the employer benefit. In order to account for the employer provided OPEB benefit, as it’s defined by GASB, the explicit premium subsidies need to be adjusted to reflect the implicit subsidy (i.e. the difference between the estimated retiree claims and the overall premiums).

This is important because the retiree health insurance trust is used to pay the employers’ portion of the blended premiums, not the employers’ portion of the underlying retiree claims costs. In order to account for the employer provided OPEB benefit, as it is defined by GASB, the payments made by the retiree health insurance trust need to be adjusted to reflect the implicit subsidy. Similarly, the employer contributions need to be adjusted to reflect the cost of the implicit subsidy. It’s important to keep in mind that the implicit subsidy is an employer contribution. Because the implicit subsidy does not pass through the trust, it is considered a benefit payment that was paid “as it came due”.

For plans that use a blended premium structure, Illustrations B1-1 and B1-2 of Implementation Guide No. 2017-3 describe how a portion of the payments made on behalf of the active employees should be reclassified as benefit payments for retiree healthcare to reflect the retirees’ underlying claims costs. These two illustrations are also consistent with the Basis of Conclusions that are provided in B49, B52, and B64 in Appendix B of GASB 75. Adjusting the explicit health care costs for active employees and retirees by the implicit

subsidy estimates provided in this report is equivalent to the reclassification described in the Statement and Implementation Guide.

To summarize, the distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. This adjustment reflects the underlying cost of the benefits provided to retirees, which is how GASB defines the employer's OPEB benefit/liability. As a result, the benefit payments and contribution amounts disclosed for GASB Statement No. 74 and 75 purposes need to include an adjustment related to the implicit subsidy. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB Statement No. 75 purposes. This adjustment is needed for contributions made during the measurement period and also for the purpose of the deferred outflow related to contributions made after the measurement date. The appendices in this report provide each employer's implicit subsidy for the measurement period and each employer's implicit subsidy for the year ending June 30, 2026.

#### Notes to Schedule of Employers' Contributions for FYE 2025

The actuarially determined contributions effective for fiscal year ending 2025 that are documented in the schedule on the previous page were calculated as of June 30, 2023. Based on the June 30, 2023 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below:

| Item                                         | CERS Non-Hazardous                                                                                                                                                                  | CERS Hazardous                                                                                                                                                                      |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Determined by the Actuarial Valuation as of: | June 30, 2023                                                                                                                                                                       | June 30, 2023                                                                                                                                                                       |
| Actuarial Cost Method:                       | Entry Age Normal                                                                                                                                                                    | Entry Age Normal                                                                                                                                                                    |
| Asset Valuation Method:                      | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized                                                                   | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized                                                                   |
| Amortization Method:                         | Level Percent of Pay                                                                                                                                                                | Level Percent of Pay                                                                                                                                                                |
| Amortization Period:                         | 30-year closed period at June 30, 2019<br><i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>                                | 30-year closed period at June 30, 2019<br><i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>                                |
| Payroll Growth Rate:                         | 2.00%                                                                                                                                                                               | 2.00%                                                                                                                                                                               |
| Investment Return:                           | 6.50%                                                                                                                                                                               | 6.50%                                                                                                                                                                               |
| Inflation:                                   | 2.50%                                                                                                                                                                               | 2.50%                                                                                                                                                                               |
| Salary Increases:                            | 3.30% to 10.30%, varies by service                                                                                                                                                  | 3.55% to 19.05%, varies by service                                                                                                                                                  |
| Mortality:                                   | 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. | 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. |

|                          |       |                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                        |
|--------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Healthcare Rates: Pre-65 | Trend | Initial trend starting at 6.80% at January 1, 2025, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement. | Initial trend starting at 6.80% at January 1, 2025, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement. |
| Post-65                  |       | Initial trend starting at 8.50% at January 1, 2025, gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement. | Initial trend starting at 8.50% at January 1, 2025, gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement. |

### Long-Term Expected Rate of Return

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

| <u>Asset Class</u>                    | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|---------------------------------------|--------------------------|---------------------------------------------------|
| <b>Equity</b>                         |                          |                                                   |
| Public Equity                         | 45.00%                   | 4.15%                                             |
| Private Equity                        | 8.00%                    | 7.90%                                             |
| <b>Fixed Income</b>                   |                          |                                                   |
| Core Bonds                            | 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%                                             |
| <u>Real Return</u>                    | <u>7.00%</u>             | <u>5.20%</u>                                      |
| <b>Expected Real Return</b>           | <b>100.00%</b>           | <b>4.24%</b>                                      |
| <b>Long Term Inflation Assumption</b> |                          | <b><u>2.50%</u></b>                               |

**Expected Nominal Return for Portfolio 6.74%**

### Development of Baseline Claims Cost

For non-Medicare retirees, the initial per capita costs were developed using retiree claims experience for calendar years 2022 through 2024. The claims were projected on an incurred claim basis, adjusted for prescription drug rebates, and loaded for administrative expense. The per capita costs shown in the table below also include HRA contributions for retirees on the CDHP plans. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees. The fully-insured premiums paid to the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

For Medicare retirees, the initial per capita costs were estimated based on the plan premiums effective January 1, 2025, and are used for both current and future retirees. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees.

Age graded and sex distinct premiums are utilized by this valuation. These costs are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

| <b>2025 Monthly Costs<br/>For those not eligible for Medicare</b> |             |               |
|-------------------------------------------------------------------|-------------|---------------|
| <b>Age</b>                                                        | <b>Male</b> | <b>Female</b> |
| 40                                                                | \$ 444.22   | \$ 721.81     |
| 50                                                                | 720.06      | 887.05        |
| 60                                                                | 1,223.77    | 1,205.00      |
| 64                                                                | 1,488.14    | 1,404.41      |

| <b>2025 MONTHLY COSTS<br/>FOR THOSE ELIGIBLE FOR MEDICARE</b> |             |               |
|---------------------------------------------------------------|-------------|---------------|
| <b>AGE</b>                                                    | <b>MALE</b> | <b>FEMALE</b> |
| 65                                                            | \$ 121.05   | \$ 114.17     |
| 75                                                            | 141.62      | 138.19        |
| 85                                                            | 149.75      | 151.51        |

The following information is specific to this entity.

Implicit subsidy - \$3,110

Contribution Rates and Amounts for CERS Non-Hazardous

| Period                  | Pension | Insurance | Total  | Employer        |             | Employee        |
|-------------------------|---------|-----------|--------|-----------------|-------------|-----------------|
|                         |         |           |        | Pension         | Insurance   |                 |
| 01/01/2025 - 06/30/2025 | 19.71%  | 0.00%     | 19.71% | \$19,009        | \$ -        | \$ 4,822        |
| 07/01/2025 - 12/31/2025 | 18.62%  | 0.00%     | 18.62% | 18,477          | -           | 4,962           |
|                         |         |           |        | <u>\$37,486</u> | <u>\$ -</u> | <u>\$ 9,784</u> |

Contributions including implicit subsidy \$ 3,596

Net OPEB liability – \$5,229

Proportionate share – .005444%

Recognized OPEB expense – \$1,533

Deferred outflows and inflows related to OPEB expense:

|                                                                                                               | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual liability experience                                                  | \$ 16,958                            | \$ 44,950                           |
| Changes in assumptions                                                                                        | 3,487                                | 2,994                               |
| Difference between expected and actual investment experience                                                  | 4,139                                | 15,980                              |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 50,168                               | 282                                 |
| Contributions subsequent to the measurement date + implicit                                                   | 3,110                                | -                                   |
| Total                                                                                                         | <u>\$ 77,862</u>                     | <u>\$ 64,206</u>                    |

Reported as net effect of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Amount           |
|-------------------------|------------------|
| 2026                    | \$ (1,959)       |
| 2027                    | 569              |
| 2028                    | 11,390           |
| 2029                    | 546              |
| 2030                    | -                |
| Thereafter              | -                |
| Total                   | <u>\$ 10,546</u> |

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net OPEB liability calculated using the single discount rate of 5.70%, as well as what the Entity's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

|                       | Proportionate<br>Share of Net<br>OPEB<br>Liabilities |
|-----------------------|------------------------------------------------------|
| 1% decrease           | \$ 31,373                                            |
| Current discount rate | \$ 5,229                                             |
| 1% increase           | \$ (16,776)                                          |

**Sensitivity of the Entity's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1% lower or 1% higher than the current rates:

|                                    | Proportionate<br>Share of Net<br>OPEB<br>Liabilities |
|------------------------------------|------------------------------------------------------|
| 1% decrease                        | \$ (12,083)                                          |
| Current healthcare cost trend rate | \$ 5,229                                             |
| 1% increase                        | \$ 25,494                                            |

**Note 9 – Contingencies**

The District is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the District in the current and prior years. There were no examinations for the year ended December 31, 2025. Areas of noncompliance, if any, as a result of examinations would be included as a part of the "Findings and Questioned Costs" section of this report.

**Note 10 – Risk Management**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by District management.

**Note 11 – Subsequent Events**

The District has evaluated subsequent events through May 20, 2026 the date which the financial statements were available to be issued.

**Note 12 – Prior Period Adjustment**

GASB 68/75 related adjustment - \$(42,235).

## REQUIRED SUPPLEMENTARY INFORMATION

Reid Village Water District  
Schedule of Employer's Proportionate Share of Net Pension Liability  
December 31, 2025

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|                                                                                                          | Measurement Date |            |            |
|----------------------------------------------------------------------------------------------------------|------------------|------------|------------|
|                                                                                                          | 6/30/2023        | 6/30/2024  | 6/30/2025  |
| Proportion of the net pension liability (asset)                                                          | 0.000540%        | 0.005411%  | 0.005441%  |
| Proportionate share of the net pension liability (asset)                                                 | \$ 34,649        | \$ 323,601 | \$ 302,769 |
| Covered employee payroll                                                                                 | \$ 98,173        | \$ 169,030 | \$ 181,240 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | 35.29%           | 191.45%    | 167.05%    |
| Plan fiduciary net position as a percentage of the total pension liability                               | 57.48%           | 61.61%     | 65.34%     |

Reid Village Water District  
Schedule of Employer's Contributions - Net Pension Liability  
December 31, 2025

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|                                                                      | 12/31/2023 | 12/31/2024 | 12/31/2025 |
|----------------------------------------------------------------------|------------|------------|------------|
| Contractually required contribution                                  | \$ 22,921  | \$ 36,559  | \$ 37,486  |
| Contributions in relation to the contractually required contribution | 22,921     | 36,559     | 37,486     |
| Contribution deficiency (excess)                                     | \$ -       | \$ -       | \$ -       |
| Covered employee payroll                                             | \$ 98,173  | \$ 169,826 | \$ 195,676 |
| Contributions as a percentage of covered employee payroll            | 23.35%     | 21.53%     | 19.16%     |

Reid Village Water District  
Schedule of Employer's Proportionate Share of Net OPEB Liability  
December 31, 2025

|                                                                                               | Measurement Date |            |            |
|-----------------------------------------------------------------------------------------------|------------------|------------|------------|
|                                                                                               | 6/30/2023        | 6/30/2024  | 6/30/2025  |
| Proportion of net OPEB liability (asset)                                                      | 0.000540%        | 0.005416%  | 0.005444%  |
| Proportionate share of net OPEB liability (asset)                                             | \$ (746)         | \$ (9,369) | \$ 5,229   |
| Covered employee payroll                                                                      | \$ 98,173        | \$ 169,030 | \$ 181,240 |
| Proportionate share of net OPEB liability (asset) as a percentage of covered employee payroll | -0.76%           | -5.54%     | 2.89%      |
| Plan fiduciary net position as a percentage of the total OPEB liability                       | 104.23%          | 104.89%    | 97.66%     |

Reid Village Water District  
Schedule of Employer's Contributions - Net OPEB Liability  
December 31, 2025

|                                                                    | 12/31/2023 | 12/31/2024 | 12/31/2025 |
|--------------------------------------------------------------------|------------|------------|------------|
| Statutorily required contribution                                  | \$ 452     | \$ -       | \$ -       |
| Contributions in relation to the statutorily required contribution | 452        | -          | -          |
| Contribution deficiency (excess)                                   | \$ -       | \$ -       | \$ -       |
| Covered employee payroll                                           | \$ 98,173  | \$ 169,826 | \$ 195,676 |
| Contributions as a percentage of covered-employee payroll          | 0.46%      | 0.00%      | 0.00%      |

## 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 is for the corresponding measurement date of the net liabilities and differs from the District's calendar year payroll as reported on the Schedule of Contributions for Pension and OPEB.

## CHANGES OF ASSUMPTIONS

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

There were no changes in assumptions in the valuation of the 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.

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 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

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

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%.

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

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

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%.

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

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

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%, which increased to 6.30% in 2023.

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

**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.

**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:

- 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.

**December 31, 2015 – Pension**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the 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.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

## SUPPLEMENTARY INFORMATION



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American Institute of CPAs  
Kentucky Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board Members  
Reid Village Water District  
Mount Sterling, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Reid Village Water District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Reid Village Water District's basic financial statements, and have issued our report thereon dated May 20, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Reid Village Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reid Village Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Reid Village Water District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Reid Village Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*Lane & Company LLC*

Mount Sterling, Kentucky

May 20, 2026

Reid Village Water District  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the years ended December 31, 2024 and December 31, 2025

|                                      | 2024               | 2025                |
|--------------------------------------|--------------------|---------------------|
| Operating Revenues                   |                    |                     |
| Water sales                          | \$ 736,989         | \$ 774,751          |
| Penalties & charges                  | 13,782             | 16,810              |
| Other income                         | -                  | -                   |
|                                      | <u>          </u>  | <u>          </u>   |
| Total Operating Revenues             | <u>750,771</u>     | <u>791,561</u>      |
| Operating Expenses                   |                    |                     |
| Water purchased                      | 276,389            | 276,157             |
| Vehicle expense                      | 5,659              | 5,430               |
| Postage                              | 7,514              | 7,429               |
| Professional fees                    | 6,100              | 5,500               |
| Salaries                             | 186,195            | 218,384             |
| Insurance                            | 16,930             | 18,601              |
| Utilities & telephone                | 19,339             | 19,294              |
| Water samples                        | 5,051              | 3,986               |
| Taxes                                | 18,842             | 25,963              |
| Repairs & maintenance                | 36,735             | 66,284              |
| Miscellaneous expenses               | 7,563              | 10,130              |
| Office supplies                      | 5,039              | 1,683               |
| Employee benefits                    | 45,366             | 45,853              |
| Bad debt expense                     | -                  | 955                 |
| Retirement                           | 146,745            | 152,691             |
| Depreciation                         | 52,869             | 53,594              |
|                                      | <u>          </u>  | <u>          </u>   |
| Total Operating Expenses             | <u>836,336</u>     | <u>911,934</u>      |
| Operating Income (Loss)              | <u>(85,565)</u>    | <u>(120,373)</u>    |
| Nonoperating Revenues (Expenses)     |                    |                     |
| Nonoperating revenue - other         | -                  | 35,814              |
| Tap fees                             | 13,814             | 10,729              |
| Gain on sale of capital assets       | -                  | -                   |
| Interest income                      | 510                | 452                 |
| Interest expense                     | (28,618)           | (28,359)            |
|                                      | <u>          </u>  | <u>          </u>   |
| Net Nonoperating Revenues (Expenses) | <u>(14,294)</u>    | <u>18,636</u>       |
| Change in Net Position               | <u>\$ (99,859)</u> | <u>\$ (101,737)</u> |

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