

West Shelby Water District
Financial Statements
December 31, 2025 and 2024

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West Shelby Water District

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December 31, 2025 and 2024

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Independent Auditor's Report

To the Board of Directors
West Shelby Water District

Report on the Financial Statement

We have audited the accompanying financial statements of the business-type activities of West Shelby Water District ("the District"), as of and for the year ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees' Retirement System of KPPA, the Schedule of Contributions Based on Participation in the County Employees' Retirement System of the KPPA, the Schedule of Net OPEB Liability and Related Ratios Based on Participation in the County Employees' Retirement System Insurance Fund of KPPA, and the Schedule of Contributions Based on Participation in the County Employees' Retirement System Insurance Fund of the KPPA on pages 28 and 31 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

Independent Auditor's Report (Continued)

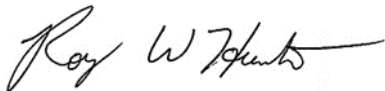
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position - Actual to Budget on pages 32 and 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements, as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Roy W. Hunter, CPA PLLC
Lexington, Kentucky
March 17, 2026

**West Shelby Water District
Management's Discussion and Analysis (Unaudited)
December 31, 2025 and 2024**

As management of the West Shelby Water District ("District"), we offer the readers of the District's financial statements this narrative overview and analysis of the financial performance of the District for the year ended December 31, 2025. We encourage readers to read it in conjunction with the District's financial statements and the accompanying notes.

Financial Highlights

- Cash (Unrestricted) increased \$252,546 (12%)
- Restricted cash decreased \$397,333 (27%)
- Accounts receivable decreased \$4,357 (3%)
- Inventory increased \$42,268 (13%)
- Prepaid expenses increased \$800 (4%).
- Property, plant and equipment (net) increased by \$1,984,889 (14%)
- Accounts payable decreased \$235 (3%)
- Accrued interest increased \$11,650 (91%)
- Bonds/notes payable decreased \$24,000 (5%)
- Net position increased \$1,951,132 (12%)
- Total revenues increased \$70,018 (3%)
- Total expenses increased \$177,403 (9%)
- Operating income decreased \$107,385 (53%)
- Non-operating revenues (net) decreased \$44,423 (57%)

Overview of the Financial Statements

This financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the accompanying notes to the financial statements. The West Shelby Water District is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the District. These statements are presented in a manner similar to those of a private business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows provides relevant information about the cash receipts and cash payments of the District during the fiscal year. The statement should help users assess the District's ability to generate future net cash flows, meet future obligations as they become due, and assess the District's need for future external financing, the reasons for differences in operating and related cash receipts and cash payments, and the effects on financial position of cash and non-cash investing, capital, non-capital, and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 14-27.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2025 and 2024**

Financial Analysis of the District

**Condensed Financial Information
Statements of Net Position
As of December 31, 2025 and 2024**

	<u>2025</u>	Percentage Increase (Decrease)	<u>2024</u>
Current Assets	\$ 2,948,072	10.96%	\$ 2,656,815
Non-current Assets	<u>17,031,037</u>	10.18%	<u>15,457,932</u>
Total Assets	19,979,109	10.29%	18,114,747
Deferred Out Flows of Resources	<u>108,264</u>	-12.87%	<u>124,253</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,087,373</u>		<u>\$ 18,239,000</u>
Current Liabilities	\$ 254,009	13.91%	\$ 222,991
Non-current Liabilities	<u>944,913</u>	-4.47%	<u>989,126</u>
Total Liabilities	1,198,922	-1.09%	1,212,117
Deferred In Flows of Resources	<u>173,767</u>	-34.01%	<u>263,331</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,372,689</u>		<u>\$ 1,475,448</u>
Restricted	1,101,197	-26.51%	1,498,530
Net Investment in Capital Assets	15,439,840		13,430,951
Unrestricted	<u>2,173,647</u>	18.51%	<u>1,834,071</u>
Total Net Position	<u>\$ 18,714,684</u>	11.64%	<u>\$ 16,763,552</u>

Current assets consist primarily of operating cash, cash, prepaid expenses, accounts receivables, and inventory.

Non-current assets consist primarily of long-term bonds, property, plant and equipment, net other postemployment benefits asset, and cash balances restricted for capital construction and debt service.

Current liabilities consist primarily of accounts payable, customer deposits, accrued payroll liabilities and the current portion of notes payables.

Non-current liabilities represent the non-current portion of bond and notes payables and net pension liability.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2025 and 2024**

Financial Analysis of the District (Continued)

**Condensed Financial Information
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended December 31, 2025 and 2024**

	<u>2025</u>	Percentage Increase (Decrease)	<u>2024</u>
Operating Revenues			
Sale of water	\$ 2,292,082	2.77%	\$ 2,230,390
Other revenues	<u>40,895</u>	25.56%	<u>32,569</u>
Total Operating Revenues	2,332,977	3.09%	2,262,959
Operating Expenses			
Operating	1,522,364	6.57%	1,428,525
General and administrative	439,451	14.83%	382,704
Depreciation	<u>274,819</u>	10.81%	<u>248,002</u>
Total Operating Expenses	<u>2,236,634</u>	8.62%	<u>2,059,231</u>
Income from Operations	96,343	52.71%	203,728
Non-operating Revenues (Expenses)			
Investment income	76,293	-25.90%	102,961
Interest expense	<u>(24,500)</u>	-4.67%	<u>(25,700)</u>
Non-operating (Expenses), net	<u>32,838</u>	57.50%	<u>77,261</u>
Revenues (Expenses) Over Expenditures (Revenues)	129,181	54.03%	280,989
Changes in Equity Contribution			
Member tap on	93,527	-10.52%	104,527
Grants	85,738		280,515
Member construction contribution	<u>1,642,686</u>	218.72%	<u>515,407</u>
Total	<u>1,821,951</u>	102.34%	<u>900,449</u>
Change in Net Position	<u>\$ 1,951,132</u>	65.15%	<u>\$ 1,181,438</u>
Net Position, Beginning of Year	<u>\$ 16,763,552</u>	7.58%	<u>\$ 15,582,114</u>
Net Position, End of Year	<u>\$ 18,714,684</u>	11.64%	<u>\$ 16,763,552</u>

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2025 and 2024**

Financial Analysis of the District (Continued)

Sale of Water represents revenues from providing water to residential, commercial, industrial, governmental, and multi-family customers.

Other income represents revenues for reconnect fees, forfeited discounts (late fees), and interest earned.

Operating expenses primarily represent the purchasing of water, personnel costs for maintenance staff, utilities, and repairs and maintenance.

General and administrative expenses primarily represent personnel costs for administrative staff, employee benefits, insurance, supplies and payroll taxes.

Depreciation expense is related to the allocation of the usefulness of property, plant and equipment over the lifetime of the asset.

Non-operating revenues (expenses) consist primarily of net change in fair value of investments, investment income, gain on sale of property, plant and equipment and interest expense.

**Condensed Financial Information
Statements of Cash Flows
For the Fiscal Year Ended December 31, 2025 and 2024**

	<u>2025</u>	Percentage Increase (Decrease)	<u>2024</u>
Net Cash Provided By (Used In):			
Operating activities	\$ 272,482	9.52%	\$ 248,801
Capital and related financing activities	(474,607)	-133.34%	(203,399)
Investing activities	<u>454,671</u>	179.75%	<u>162,525</u>
Net Change in Cash and Cash Equivalents	252,546	-21.46%	207,927
Cash and Cash Equivalents, Beginning of Year	<u>2,141,950</u>	10.75%	<u>1,934,023</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,394,496</u>	11.79%	<u>\$ 2,141,950</u>

The net increase in cash totaled \$252,546 at December 31, 2025, primarily due to monies received for member tap on, monies received from a grant, and construction contribution.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2025 and 2024**

Capital Assets Administration

The following table summarizes the changes in net capital assets between fiscal years 2025 and 2024.

	<u>2025</u>	Percentage Increase (Decrease)	<u>2024</u>
Transmission and distribution plant	\$ 22,022,507	10.97%	\$ 19,845,012
Construction in progress	372,596	100.00%	352,184
General plant	1,766,244	3.63%	1,704,443
Accumulated depreciation	<u>(8,231,507)</u>	-3.45%	<u>(7,956,688)</u>
	<u>\$ 15,929,840</u>	14.23%	<u>\$ 13,944,951</u>

Debt Administration

The following table summarizes the outstanding obligations under bonds payable as December 31, 2025 and 2024.

	<u>2025</u>	Percentage Increase (Decrease)	<u>2024</u>
Bonds payable	<u>\$ 490,000</u>	-4.67%	<u>\$ 514,000</u>
	<u>\$ 490,000</u>	-4.67%	<u>\$ 514,000</u>

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all of those with an interest. If you have any questions concerning the information provided in this report or need additional financial information, contact the West Shelby Water District, 137 Citizen's Blvd, Simpsonville, Kentucky 40067.

West Shelby Water District
Statements of Net Position
For the Fiscal Year Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash	\$ 2,394,496	\$ 2,141,950
Accounts receivable	162,503	166,860
Inventory - materials and supplies	368,197	325,929
Prepaid expenses and other	<u>22,876</u>	<u>22,076</u>
Total Current Assets	2,948,072	2,656,815
Non-current Assets		
Restricted cash	1,101,197	1,498,530
Property, plant and equipment net of accumulated depreciation	15,929,840	13,944,951
Net OPEB asset	<u>-</u>	<u>14,451</u>
Total Non-current Assets	<u>17,031,037</u>	<u>15,457,932</u>
Total Assets	19,979,109	18,114,747
Deferred Outflows of Resources		
Deferred outflow - OPEB	43,529	37,765
Deferred outflow - pension	<u>64,735</u>	<u>86,488</u>
Total Deferred Outflows of Resources	<u>108,264</u>	<u>124,253</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,087,373</u>	<u>\$ 18,239,000</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 8,108	\$ 8,343
Accrued interest	24,500	12,850
Customer deposits	188,095	171,091
Accrued taxes and payroll liabilities	8,306	6,707
Bonds payable, current portion	<u>25,000</u>	<u>24,000</u>
Total Current Liabilities	254,009	222,991
Non-current Liabilities		
Bonds payable, long-term portion	465,000	490,000
Net OPEB liability	8,147	-
Net pension liability	<u>471,766</u>	<u>499,126</u>
Total Non-current Liabilities	<u>944,913</u>	<u>989,126</u>
Total Liabilities	1,198,922	1,212,117
Deferred Inflows of Resources		
Deferred inflows - OPEB	104,776	157,791
Deferred inflows - pension	<u>68,991</u>	<u>105,540</u>
Total Deferred Inflows of Resources	<u>173,767</u>	<u>263,331</u>
Total Liabilities and Deferred Inflows of Resources	1,372,689	1,475,448
Net Position		
Restricted for capital construction and debt payments	1,101,197	1,498,530
Net investment in capital assets	15,439,840	13,430,951
Unrestricted net position	<u>2,173,647</u>	<u>1,834,071</u>
Total Net Position	<u>18,714,684</u>	<u>16,763,552</u>
Total Liabilities and Net Position	<u>\$ 20,087,373</u>	<u>\$ 18,239,000</u>

See accompanying notes.

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenue from Sale of Water		
Residential customers	\$ 1,190,420	\$ 1,251,979
Industrial customers	501,836	405,048
Commercial customers	233,738	247,165
Multi-family dwellings	212,506	148,849
Private fire protection	88,492	86,395
Public authorities	49,037	71,948
Tax-exempt non-government	16,053	19,006
Total Revenue from Sale of Water	<u>2,292,082</u>	<u>2,230,390</u>
Other Revenue		
Miscellaneous revenue	17,177	8,019
Forfeited discounts	23,718	24,550
Total Other Revenues	<u>40,895</u>	<u>32,569</u>
Total Revenues	<u>2,332,977</u>	<u>2,262,959</u>
Operating Expenses		
Water purchased	971,601	960,327
Salaries	250,472	237,544
Maintenance materials and supplies	258,263	178,538
Operating supplies and expenses	27,228	38,452
Power-pumping equipment	14,800	13,664
Total Operating Expenses	<u>1,522,364</u>	<u>1,428,525</u>
Administrative and General		
Employee insurance	120,640	110,087
Salaries	68,645	64,497
Insurance	45,427	39,001
Truck and equipment expenses	40,170	23,405
Miscellaneous	37,527	18,784
Office supplies	36,153	34,165
Legal and accounting	27,183	22,714
Payroll taxes	24,626	22,791
Commissioners fees	22,760	21,500
Utilities	20,104	21,964
Employee retirement	14,093	12,652
Computer/copier support	5,788	5,015
Rent	5,568	4,756
Employee uniforms	4,506	3,597
Employee training	2,442	3,243
Retirement health insurance	(36,181)	(25,467)
Total Administrative and General	<u>439,451</u>	<u>382,704</u>

See accompanying notes

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position (Continued)
For the Fiscal Year Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Other Operating Deductions		
Depreciation	\$ 274,819	\$ 248,002
Total Expenses	<u>2,236,634</u>	<u>2,059,231</u>
Total Operating Income	96,343	203,728
Non-operating Revenues (Expenses)		
Investment income	76,293	102,961
Interest on customers' deposits	(18,955)	-
Interest on long-term debt	<u>(24,500)</u>	<u>(25,700)</u>
Total Non-operating Revenues (Expenses), net	<u>32,838</u>	<u>77,261</u>
Revenues Over Expenditures	129,181	280,989
Changes in Equity Contribution		
Member tap on	93,527	104,527
Grants	85,738	280,515
Member construction contribution	<u>1,642,686</u>	<u>515,407</u>
Total Changes in Equity Contribution	<u>1,821,951</u>	<u>900,449</u>
Change in Net Position	1,951,132	1,181,438
Total Net Position, Beginning of Year	<u>16,763,552</u>	<u>15,582,114</u>
Total Net Position, End of Year	<u>\$ 18,714,684</u>	<u>\$ 16,763,552</u>

See accompanying notes.

West Shelby Water District
Statements of Cash Flows
For the Fiscal Year Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 2,354,338	\$ 2,248,301
Cash payments to suppliers for goods and services	(1,618,736)	(1,579,202)
Cash payments for employee salaries and benefits	<u>(463,120)</u>	<u>(420,298)</u>
Net Cash Provided by Operating Activities	272,482	248,801
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,259,708)	(1,055,148)
Principal payments on bonds and notes payable	(24,000)	(23,000)
Member construction contributions	1,642,686	515,407
Member tap fees	93,527	104,527
Grants	85,738	280,515
Interest payments on long-term debt	<u>(12,850)</u>	<u>(25,700)</u>
Net Cash Used in Capital and Related Financing Activities	(474,607)	(203,399)
Cash Flows from Investing Activities		
Interest received	76,293	102,961
Interest on customers' deposits	(18,955)	-
Change in restricted cash and cash equivalents	<u>397,333</u>	<u>59,564</u>
Net Cash Provided by Investing Activities	<u>454,671</u>	<u>162,525</u>
Net Increase in Cash	252,546	207,927
Cash, Beginning of Year	<u>2,141,950</u>	<u>1,934,023</u>
Cash, End of Year	<u>\$ 2,394,496</u>	<u>\$ 2,141,950</u>

See accompanying notes

West Shelby Water District
Statements of Cash Flows (Continued)
For the Fiscal Year Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 96,343	\$ 203,728
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	274,819	248,002
Change in retirement expense due to GASB 68	(42,156)	(46,242)
Change in retirement expense due to GASB 75	(36,181)	(25,467)
Accounts receivable	4,357	(25,825)
Inventories	(42,268)	(76,044)
Prepaid expenses and other	(800)	(3,985)
Accounts payable	(235)	3,496
Due to Horizon Group	-	(39,207)
Accrued taxes and payroll liabilities	1,599	(822)
Customer deposits	17,004	11,167
	<u>17,004</u>	<u>11,167</u>
Net Cash Provided by Operating Activities	<u>\$ 272,482</u>	<u>\$ 248,801</u>

See accompanying notes.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note A - Nature of Organization and Operations

The District was established by order of the Shelby County Fiscal Court on March 10, 1964. The District was established to develop and operate a complete water supply and distribution system, which services parts of Shelby County.

Note B - Summary of Significant Accounting Policies

1. Basis of Presentation: The accompanying financial statements have been prepared as an enterprise fund. Enterprise funds are designed to accumulate the total cost of providing a particular service and to indicate the extent user charges are sufficient to cover these costs. Customer meters are read and billed monthly at which time the receivable is recorded and revenue is recognized. No provision has been made for doubtful accounts due to the amount determined to be uncollectible being negligible. The West Shelby Water District (the District) uses the accrual basis of accounting for financial accounting and reporting purposes.
2. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Statement of Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents noted.
4. Inventory: Inventories are stated at the lower of cost or market based on first-in first-out method.
5. Accounts Receivable: Accounts receivable are for water sales to customers. The District bills its receivables on or about the 25th of each month and are due by the 10th of the following month. Customers that do not pay by the due date are assessed a 10% penalty and receive a past due notice. Management provides for probable uncollectible amounts of accounts receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts if necessary. As of December 31, 2025 and 2024, there is no allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.
6. Property, Plant and Equipment: Property, plant and equipment are capitalized and recorded at cost. The District has adopted a formal capitalization policy. The capitalization threshold for building and land improvements is \$2,000; the capitalization threshold is \$2,500 for all other categories of plant and equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following is a summary of the estimated useful lives used in computing depreciation:

Structure and Improvements	40
Pumping Equipment	20
Distribution Reservoirs	60
Transmission and Distribution Main	75
Services	50
Meters and Installations	50
Furniture and Equipment	25
Other Plant	40
Transportation Equipment	7
Power Operated Equipment	15

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Depreciation expense for the years ended December 31, 2025 and 2024 was \$248,002 and \$216,494 respectively.

Note B - Summary of Significant Accounting Policies (Continued)

7. Customer Deposits: Interest is accrued at a rate no greater than the District receives on cash investments and at no time greater than 6% annually.
8. New Customers: New service connection fees and construction contributions are recorded as an addition to equity. The cost of installation of the new service is recorded as an addition to plant assets and is subject to depreciation.
9. Accumulated Vacation and Sick Leave: On January 13, 1995 the Commissioners adopted a formal policy related to vacation and sick leave. The policy was updated on February 1, 2022. Vacation is earned at rates varying from one to ten days per year depending on length of service. Sick leave accrues at the rate of 1/2 day for every month employed or six days per year and shall accumulate to a maximum of 90 days. After one year of service, employees are given one week of vacation, after two years of service, employees are given two weeks of vacation, after ten years of service, employees are given three weeks of vacation, and after twenty years of service, employee are given four weeks of vacation. No accrual is necessary as a limited number of personnel are employed, and the amount of the accrual would be immaterial. If an employee leaves employment, willfully or is terminated, with West Shelby Water District, unused vacation time has no monetary value and will not be paid.
10. Retirement System: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the District's participation in the County Employees Retirement System (CERS) of the Kentucky Public Pensions Authority (KPPA) have been determined on the same basis as they are reported by the KPPA for the CERS plan. For this purpose, benefits including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms of the CERS plan of KPPA. The liability was measured at June 30, 2025.
11. Postemployment Benefits Other Than Pensions (OPEB): For the purpose of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognize benefit payments when due and payable in accordance with the benefit terms. The asset or liability was measured at June 30, 2025.
12. Government Accounting Standards Board (GASB): GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued in April 2020. The provisions of this Statement are effective for periods beginning after June 15, 2020. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.
13. Subsequent Events: Subsequent events for the District have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

Note C - Concentration of Credit Risk

At December 31, 2025 and 2024 the carrying amount of the District's cash and cash investments were \$3,495,693 and \$3,640,480 respectively. All cash investments and bank balances were fully collateralized by federal depository insurance up to \$250,000 and other securities pledged by the financial institutions.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note D - Restricted Cash

	<u>2025</u>	<u>2024</u>
Depreciation fund	\$ 249,713	\$ 520,476
Sinking fund	291,365	319,976
Construction fund	<u>560,119</u>	<u>658,078</u>
	<u>\$ 1,101,197</u>	<u>\$ 1,498,530</u>

Restricted cash includes the construction fund account, Horizon Group rebate fund and two debt service reserve funds (depreciation and sinking).

The construction fund is being used for current and future construction projects. Customer contributions and unexpended bond proceeds are carried in this fund. The sinking fund account is a debt reserve fund for the notes and bond payable. The depreciation fund is used to replace property, plant, and equipment.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note E - Property, Plant and Equipment

Property, plant and equipment consist of the following components:

	Balance 2024	Additions	Deletions	Balance 2025
Business - Type Activities				
Transmission and Distribution Plant				
Land and land right	\$ 242,248		\$ -	\$ 242,248
Pumping equipment	2,215,240	309,655		2,524,895
Water treatment equipment	7,548			7,548
Standpipes	2,616,205	258,324		2,874,529
Transmission and distribution mains	13,038,991	1,530,973		14,569,964
Services and meters	1,323,091	76,787		1,399,878
Hydrants	381,802	1,756		383,558
Other plant equipment	19,887			19,887
Construction in progress	352,184	1,453,789	(1,433,377)	372,596
Total	20,197,196	3,631,284	(1,433,377)	22,395,103
Less: Accumulated Depreciation	(7,379,543)	(230,182)		(7,609,725)
Total Transmission and Distribution Plant	12,817,653	3,401,102	(1,433,377)	14,785,378
General Plant				
Office furniture and equipment	152,034	6,925		158,959
Buildings	1,001,231			1,001,231
Transportation equipment	276,915	8,888		285,803
Tools, shop and garage equipment	154,849	45,988		200,837
Laboratory equipment	373			373
Communication equipment	119,041			119,041
Total	1,704,443	61,801	-	1,766,244
Less: Accumulated Depreciation	(577,145)	(44,637)	-	(621,782)
Total General Plant	1,127,298	17,164	-	1,144,462
Capital Assets, net	<u>\$ 13,944,951</u>	<u>3,418,266</u>	<u>\$ (1,433,377)</u>	<u>\$ 15,929,840</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note F - Retirement Plan (Continued)

General Information about the Pension Plan

Benefits provided. KRS Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age + earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Contributions. Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. Employees that entered the plan after September 1, 2008, are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended December 31, 2025, employer contributions for the District were \$56,249 (\$56,249 pension and \$0 insurance) based on a rate of 19.71% (19.71% pension and 0% insurance) (January 2025-June 2025) and 18.62% (18.62% pension and 0% insurance) (July 2025-December 2025) of covered payroll. By law, employer contributions are required to be paid. The KPPA may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note F - Retirement Plan (Continued)

General Information about the Pension Plan

Plan description. Employees of the District are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the KPPA. The KPPA was created by state statute under Kentucky Revised Statute Section 61.645. The KPPA Board of Trustees is responsible for the proper operation and administration of the KPPA. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Net Pension Liability

Actuarial assumptions. The total pension liability as of June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.30 to 10.30%, varies by service
Investment rate of return	6.50%

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

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

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Equity		
Public Equity	4.15%	45.00%
Private Equity	7.90%	8.00%
Fixed Income		
Core Bonds	2.70%	13.00%
Specialty Credit/High Yield	3.83%	20.00%
Cash	1.25%	2.00%
Inflation Protected		
Real Estate	4.75%	5.00%
Real Return	5.20%	7.00%
	4.24%	100.00%

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note F - Retirement Plan (Continued)

Net Pension Liability (Continued)

Discount rate. The projection of cash flows used to determine the discount rate of 6.50%. assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates return for each major class are summarized in the Kentucky Public Pensions Authority' Comprehensive Annual Financial Report (CAFR).

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
West Shelby Water District's Net pension liability	\$ 623,706	\$ 471,766	\$ 346,412

Pension expense. For the year ended June 30, 2025, the District recognized pension expense of \$14,093.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	\$ 15,640	\$ -
Investment experience	17,410	65,584
Change in proportionate share	4,084	4,407
Contributions subsequent to the measurement date of June 30, 2025	<u>27,601</u>	<u>-</u>
Total	<u>\$ 64,735</u>	<u>\$ 69,991</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note F - Retirement Plan (Continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The amount shown below for "Contributions subsequent to the measurement date of June 30, 2025," will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Recognition of Deferred Outflows (Inflows) of Resources for Future Plan Years

<u>Plan Year Ending June 30,</u>	<u>Recognition of Deferred Outflows (Inflows) of Resources</u>
2026	\$ 6,298
2027	(14,763)
2028	(15,329)
2029	(8,064)
	<u>\$ (31,858)</u>

In the table shown above, deferred inflows of resources amounts will decrease pension expense while deferred outflows of resources amounts will increase pension expense.

Note G – Postemployment Benefits Other Than Pensions

Plan description. Employees of the District are provided hospital and medical insurance through the Kentucky Public Pensions Authority' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit other postemployment benefits (OPEB) plan. The KPPA was created by state statute under Kentucky Revised Statute Section 61.645. The KPPA Board of Trustees is responsible for the proper operation and administration of the KPPA. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note G – Postemployment Benefits Other Than Pensions (Continued)

Contributions. Contribution requirements of the participating employers are established and may be amended by the KPPA Board of Trustees. The District’s contractually required contribution rate for the period of January 2025 through June 2025 was 0% of covered payroll and the contribution rate for the period July 2025 through December 2025 was 0%. Contributions to the Insurance Fund from the District were \$0 for the year ended December 31, 2025. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable, compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

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

At December 31, 2025, the District reported a liability of \$8,147 for its proportionate share of the collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2025 and the total OPEB asset used to calculate the collective net OPEB asset was determined by an actuarial valuation as of that date. The District’s proportion of the collective net OPEB asset and OPEB expense was determined using the employers’ actual contributions for the plan fiscal year 2025 (July 1, 2024 through June 30, 2025). This method is expected to be reflective of the employers’ long-term contribution effort. At June 30, 2025, the District’s proportion was 0.008483%.

For the year ended December 31, 2025, the District recognized OPEB income of (\$25,467). At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	\$ 26,425	\$ 70,043
Assumption changes	5,434	4,665
Investment experience	6,449	24,901
Change in proportionate share	376	5,167
Contributions subsequent to the measurement date of June 30, 2025, including implicit subsidy	<u>4,845</u>	<u>-</u>
Total	<u>\$ 43,529</u>	<u>\$ 104,776</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note G – Postemployment Benefits Other Than Pensions (Continued)

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from the District’s contribution subsequent to the measurement date and before the end of the fiscal year and \$4,845 of implicit subsidy for a total of \$4,845, will be included as a reduction of the collective net OPEB (asset)/liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Recognition of Deferred Outflows (Inflows) of Resources for Future Plan Years

<u>Plan Year Ending June 30,</u>	<u>Recognition of Deferred Outflows (Inflows) of Resources</u>
2026	\$ (36,577)
2027	(31,392)
2028	875
2029	<u>1,002</u>
	<u>\$ (66,092)</u>

Actuarial assumptions. The total pension liability as of June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.30 to 10.30%, varies by service
Investment rate of return	6.50%

Healthcare cost tend rates Pre-65: Initial trend starting at 6.20% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Healthcare cost tend Post - 65: Initial trend starting at 9.00% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Mortality rates were based on the following:

Pre-retirement: PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Post-retirement (non-disabled): System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Post-retirement (disabled): PUB-2010 Disabled Mortality table, with a 40-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note G – Postemployment Benefits Other Than Pensions (Continued)

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

For financial reporting the actuarial valuation as of June 30, 2025, was performed Gabriel Roeder smith (GRS). The total asset, net OPEB asset, and sensitivity information as of June 30, 2025, were based on an actuarial valuation date of June 30, 2024. The total OPEB asset was rolled-forward from the valuation date (June 30, 2024) to the plan’s fiscal year ending June 30, 2025, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2022. However, the Board of Trustees has adopted new actuarial assumptions on May 9, 2022. These assumptions are documented in the report titled “Kentucky Public Pensions Authority 2022 Actuarial Experience Study for the Period Ending June 30, 2022”. The Total OPEB asset as of June 30, 2025 is determined using these updated assumptions.

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

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Equity		
Public Equity	4.15%	45.00%
Private Equity	7.90%	8.00%
Fixed Income		
Core Bonds	2.70%	13.00%
Specialty Credit/High Yield	3.83%	20.00%
Cash	1.25%	2.00%
Inflation Protected		
Real Estate	4.75%	5.00%
Real Return	5.20%	7.00%
	4.24%	100.00%

Discount rate. The projection of cash flows used to determine the discount rate of 5.26% for CERS Nonhazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2025. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actual determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note G – Postemployment Benefits Other Than Pensions (Continued)

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

Sensitivity of the District's proportionate share of the collective net OPEB liability/(asset) to changes in discount rate. The following presents the District's proportionate share of the collective net OPEB liability/(asset) as well as what the District's proportionate share of the collective net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.26%) or 1 percentage point higher (7.26%) than the current discount rate:

	<u>1% Decrease (5.26%)</u>	<u>Current Discount Rate (6.26%)</u>	<u>1% Increase (7.26%)</u>
West Shelby Water District's Net OPEB liability	\$ 48,886	\$ 8,147	\$ (26,141)

Sensitivity of the District's proportionate share of the collective net OPEB liability/(asset) to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the collective net OPEB liability/(asset) as well as what the District's proportionate share of the collective net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
West Shelby Water District's Net OPEB liability	\$ (18,828)	\$ 8,147	\$ 39,726

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

Note H - Bonds Payable

Rural Economic & Community Development

The bond payable is the amount due Rural Economic & Community Development for long term financing as follows at December 31, 2025:

Bonds dated January 11, 2001 for \$845,000 with interest at 5%	<u>\$ 490,000</u>
Total Bonds Outstanding	<u>\$ 490,000</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024**

Note H - Bonds Payable (Continued)

Rural Economic & Community Development (Continued)

The balance at December 31, 2024 was \$537,000. During 2025, \$24,000 of principal payments were made, which leaves an outstanding balance of \$490,000 at December 31, 2025. The bonds contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment. Future maturities of bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	25,000	24,500	49,500
2027	26,000	23,250	49,250
2028	28,000	21,950	49,950
2029	29,000	20,550	49,550
2030	30,000	19,100	49,100
2031-2035	176,000	71,300	247,300
2036-2039	<u>176,000</u>	<u>22,500</u>	<u>198,500</u>
	<u>\$ 490,000</u>	<u>\$ 203,150</u>	<u>\$ 693,150</u>

All properties and assets, both real and personnel, and revenues are pledged to secure these loans.

Note I - Long-term Debt

Long-term debt activity for the year ended December 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Enterprise Activities:				
General Obligation Bonds	<u>\$ 514,000</u>	<u>\$ (24,000)</u>	<u>\$ 490,000</u>	<u>\$ 25,000</u>
Enterprise Activities				
Long-term Liabilities	<u>\$ 514,000</u>	<u>\$ (24,000)</u>	<u>\$ 490,000</u>	<u>\$ 25,000</u>

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note J- Revenue from Sale of Water

The District purchase 100% of the water it sells from two vendors. Approximately 77% of water is purchased from Louisville Water Company; the remaining 23% is purchased from the Shelbyville Municipal Water & Sewer Commission.

The following is a statistical analysis of water purchased, sold, and unbilled.

	Water Purchased		Water Sold		Water Unbilled	
	Gallons	Cost/1000	Gallons Sold/1000			
2025	352,946,800	\$ 2.710	321,169,260	\$ 7.137	31,777,540	9.00%
2025	355,831,669	\$ 2.655	320,502,580	\$ 6.959	35,329,089	9.93%
2024	328,791,659	\$ 2.542	294,376,970	\$ 6.839	34,414,689	10.47%
2022	306,612,100	\$ 2.518	271,385,320	\$ 6.856	35,226,780	11.49%
2021	312,758,200	\$ 2.553	268,837,210	\$ 6.129	43,920,990	14.04%

Note K - Future Accounting Pronouncements

In June of 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2025.

The District is currently evaluating the impact that will result from adopting GASB No. 101 and is therefore unable to disclose the impact that adopting the Standard will have on the District's financial position and the results of its operations when the Statement is adopted.

Required Supplementary Information

**West Shelby Water District
Required Supplementary Information - Schedule of Net Pension
Liability and Related Ratios Based on Participation in the
County Employees' Retirement Systems of KPPA
Fiscal Year Ending June 30,**

	2016		2017		2018		2019					
Total Net Pension Liability for County Employees Retirement Systems	\$	4,923,618,000	\$	5,853,307,443	\$	6,090,305,000	\$	7,033,045,000				
Employer's Proportion (Percentage) of Net Pension Liability		0.007807870%		0.007889000%		0.008996000%		0.008921000%				
Employer's Proportion (Amount) of Net Pension Liability		384,430		461,767		547,884		627,418				
Employer's Covered-Employer payroll	\$	219,117	\$	192,079	\$	222,970	\$	265,304				
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll		175.40%		240.40%		245.72%		236.49%				
Total Pension Plan's Fiduciary Net Position	\$	6,141,395,000	\$	6,687,237,000	\$	7,018,963,000	\$	7,159,921,000				
Total Pension's Plan Pension Liability	\$	11,065,013,000	\$	12,540,545,000	\$	13,109,268,000	\$	14,192,966,000				
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability		55.50%		53.30%		53.54%		50.45%				
	2020		2021		2022		2023		2024		2025	
Total Net Pension Liability for County Employees Retirement Systems	\$	7,669,917,000	\$	6,375,785,000	\$	7,229,013,000	\$	6,416,509,000	\$	5,980,423,000	\$	5,564,589,000
Employer's Proportion (Percentage) of Net Pension Liability		0.008879000%		0.008927000%		0.008802000%		0.008578000%		0.008346000%		0.008478000%
Employer's Proportion (Amount) of Net Pension Liability		681,012		569,166		636,298		550,408		499,126		471,766
Employer's Covered-Employer payroll	\$	248,076	\$	237,923	\$	249,436	\$	254,571	\$	274,465	\$	293,579
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll		274.52%		239.22%		255.09%		216.21%		181.85%		160.69%
Total Pension Plan's Fiduciary Net Position	\$	7,027,327,000	\$	8,565,652,000	\$	7,963,586,000	\$	8,672,597,000	\$	9,596,244,000	\$	10,490,132,000
Total Pension's Plan Pension Liability	\$	14,697,244,000	\$	14,941,437,000	\$	15,192,599,000	\$	15,089,106,000	\$	15,576,667,000	\$	16,054,721,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability		47.81%		57.33%		52.42%		57.48%		61.61%		65.34%

Note: This schedule is intended to display information for ten years.
See independent auditor's report.

West Shelby Water District
Required Supplementary Information - Schedule of Contributions
Based on Participation In the County Employees' Retirement
System of KPPA
Fiscal Year Ending June 30

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 28,659	\$ 26,795	\$ 32,286	\$ 36,500	\$ 43,896	\$ 44,007	\$ 55,448	\$ 58,264	\$ 61,153	\$ 55,661
Contributions in relation to the actuarially determined contribution	28,659	26,795	32,286	36,500	43,896	44,007	55,448	58,264	61,153	55,661
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	219,117	192,079	222,970	265,304	248,076	237,923	249,436	254,571	274,465	293,579
Contributions as a percentage covered-employee payroll	13.08%	13.95%	14.48%	13.76%	17.69%	18.50%	22.23%	22.89%	22.28%	18.96%

Note: This schedule is intended to display information for ten years.

Notes to Schedules Related to the County Employees' Retirement System of KPPA Information

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

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2023
Experience Date	July 1, 2013 – June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%

See independent auditor's report.

West Shelby Water District
Required Supplementary Information - Schedule of Net OPEB
Liability and Related Ratios Based on Participation in the
County Employees' Retirement System Insurance Fund of KPPA
Fiscal Year Ending June 30,

	2018	2019	2020	2021	2022	2023	2024	2025
Total Net OPEB Liability (Asset) for County Employees Retirement Systems	\$ 1,775,480,122	\$ 1,681,955,000	\$ 2,414,696,000	\$ 1,914,450,000	\$ 1,973,514,000	\$ (138,067,000)	\$ (172,980,000)	\$ 96,042,000
Employer's Proportion (Percentage) of Net OPEB Liability (Asset)	0.008996000%	0.008919000%	0.008877000%	0.008925000%	0.008801000%	0.008577000%	0.008354000%	0.008483000%
Employer's Proportion (Amount) of Net OPEB Liability (Asset)	159,722	150,014	214,353	170,865	173,689	(11,842)	(14,451)	8,147
Employer's Covered-Employer payroll	\$ 222,970	\$ 265,304	\$ 248,076	\$ 237,923	\$ 249,436	\$ 254,571	\$ 274,465	\$ 293,579
Employer's Proportionate Share (Amount) of the Net OPEB Liability (Asset) as a Percentage of Employer's Covered-Employer Payroll	71.63%	56.54%	86.41%	71.82%	69.63%	-4.65%	-5.27%	2.78%
Total OPEB Plan's Fiduciary Net Position	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613,000	\$ 3,246,801,000	\$ 3,079,984,000	\$ 3,398,375,000	\$ 3,707,277,000	\$ 4,107,333,000
Total OPEB's Plan OPEB Liability	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309,000	\$ 5,161,251,000	\$ 5,053,498,000	\$ 3,260,308,000	\$ 3,534,297,000	\$ 4,011,291,000
Total OPEB Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%	102.39%

Note: This schedule is intended to display information for ten years.

Additional years will be displayed as they become available.

See independent auditor's report.

West Shelby Water District
Required Supplementary Information - Schedule of Contributions
Based on Participation In the County Employees' Retirement
System Insurance Fund of KPPA
Fiscal Year Ending June 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Actuarially determined contribution	\$ 10,479	\$ 11,836	\$ 10,826	\$ 10,853	\$ 10,150	\$ 8,441	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>10,479</u>	<u>11,836</u>	<u>10,826</u>	<u>10,853</u>	<u>10,150</u>	<u>8,441</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	222,970	265,304	248,076	237,923	249,436	254,571	274,465	293,579
Contributions as a percentage covered-employee payroll	4.70%	4.46%	4.36%	4.56%	4.07%	3.32%	0.00%	0.00%

Note: This schedule is intended to display information for ten years. Additional years will be displayed as they become available.

Notes to Schedules Related to the County Employees' Retirement Insurance Fund of KPPA Information

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

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date	June 30, 2023
Experience Date	July 1, 2013 – June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.50%
Investment Rate of Return	6.50%
Retirement age	65 years or 27 years of service regardless of age
Healthcare Trend Rates Pre-65	Initial trend starting at 7.10% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Healthcare Trend Rates Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 10 years.

See independent auditor's report.

Supplementary Information

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget
For the Fiscal Year Ended December 31, 2025

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue from Sale of Water			
Residential customers	\$ 1,190,420	\$ 1,350,000	\$ (159,580)
Industrial customers	501,836	350,000	151,836
Commercial customers	233,738	250,000	(16,262)
Multi-family dwellings	212,506	150,000	62,506
Private fire protection	88,492	90,000	(1,508)
Public authorities	49,037	72,000	(22,963)
Tax-exempt non-government	16,053	6,000	10,053
Total Revenue from Sale of Water	2,292,082	2,268,000	24,082
Other Revenue			
Miscellaneous revenue	17,177	7,900	9,277
Forfeited discounts	23,718	22,000	1,718
Total Other Revenues	40,895	29,900	10,995
Total Revenues	2,332,977	2,297,900	35,077
Operating and Maintenance Expenses			
Water purchased	971,601	950,000	(21,601)
Salaries	319,117	332,000	12,883
Maintenance materials and supplies	258,263	116,000	(142,263)
Employee insurance	120,640	117,000	(3,640)
Insurance	45,427	30,000	(15,427)
Truck and equipment expenses	40,170	25,700	(14,470)
Miscellaneous	37,527	23,900	(13,627)
Office supplies	36,153	36,000	(153)
Operating supplies and expenses	27,228	30,000	2,772
Legal and accounting	27,183	25,000	(2,183)
Payroll taxes	24,626	25,000	374
Commissioners fees	22,760	23,000	240
Utilities	20,104	20,000	(104)
Power-pumping equipment	14,800	14,000	(800)
Employee retirement	14,093	60,000	45,907
Computer/copier support	5,788	5,000	(788)
Rent	5,568	4,800	(768)
Employee uniforms	4,506	6,000	1,494
Employee training	2,442	3,000	558
Retirement health insurance	(36,181)		36,181
Total Operating and Maintenance Expenses	1,961,815	1,846,400	(115,415)

See independent auditor's report.

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget (Continued)
For the Fiscal Year Ended December 31, 2025

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Other Operating Deductions			
Depreciation	274,819	211,000	(63,819)
Total Other Operating Deductions	<u>274,819</u>	<u>211,000</u>	<u>(63,819)</u>
Total Expenses	<u>2,236,634</u>	<u>2,057,400</u>	<u>(179,234)</u>
Total Operating Income	96,343	240,500	(144,157)
Non-operating Revenues (Expenses)			
Investment income	76,293	95,000	(18,707)
Interest on customers' deposits	(18,955)		(18,955)
Interest on long-term debt	<u>(24,500)</u>	<u>(25,100)</u>	<u>600</u>
Total Non-operating (Expenses)	<u>32,838</u>	<u>69,900</u>	<u>(37,062)</u>
Revenues Over Expenditures	<u>\$ 129,181</u>	<u>\$ 310,400</u>	<u>\$ (181,219)</u>

See independent auditor's report.

**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***

West Shelby Water District
Simpsonville, 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 West Shelby Water District "District", as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2026.

Report Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report Compliance and Other Matters

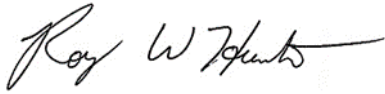
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**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* (Continued)**

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.

Respectfully submitted,

A handwritten signature in black ink that reads "Roy W. Hunter". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Roy W. Hunter, CPA PLLC
Lexington, Kentucky
March 17, 2026