WESTERN MASON COUNTY WATER DISTRICT

FINANCIAL STATEMENTS AND OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Western Mason County Water District
Dover, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Western Mason County Water District (the "District"), as of and for the years 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 respective financial position of the District, as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Management has omitted a 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, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information. The other information comprises the Schedule Required by Rural Development but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
August 27, 2026

WESTERN MASON COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current Assets:		
Cash and cash equivalents – unrestricted	$ 66,626	$ 19,255
Accounts receivable (net of allowance for doubtful accounts of $67,667 and $67,667, respectively)	152,060	138,407
Inventory	32,242	37,351
Total current assets	250,928	195,013
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents – restricted	561,921	474,678
RWFA sinking and construction funds	458,966	1,015,983
Capital Assets:		
Non-depreciable	1,664,841	1,025,566
Depreciable, net of accumulated depreciation	4,970,303	5,214,870
Right-to-use assets	1,395	3,786
Total noncurrent assets	7,657,426	7,734,883
Total assets	$ 7,908,354	$ 7,929,896
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 29,097	$ 26,183
Accrued payroll and related liabilities	21,544	29,304
Accrued taxes	12,402	11,078
Accrued interest	125,867	139,262
Customer deposits	32,578	25,920
Leases payable – current	1,395	2,391
Notes payable – current	12,468	12,222
Bonds payable – current	147,000	131,500
Total current liabilities	382,351	377,860
Noncurrent liabilities:		
Leases payable – net of current portion	-	1,395
Notes payable – net of current portion	66,200	78,668
Bonds payable – net of current portion	5,423,542	5,569,543
Total noncurrent liabilities	5,489,742	5,649,606
Total liabilities	5,872,093	6,027,466
NET POSITION		
Net investment in capital assets	1,370,468	1,397,984
Restricted for:		
Debt service	337,970	277,253
Customer deposits	34,210	27,352
Capital projects and replacement	264,173	236,575
Unrestricted	29,440	(36,734)
Total net position	2,036,261	1,902,430
Total liabilities and net position	$ 7,908,354	$ 7,929,896

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

WESTERN MASON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Water sales	$ 1,058,099	$ 1,044,008
Service charges and other revenue	35,337	34,330
Total operating revenues	1,093,436	1,078,338
OPERATING EXPENSES		
Salaries and wages	295,356	306,068
Employee benefits	100,121	87,425
Accounting and legal	24,438	24,075
Depreciation	259,202	270,178
Insurance	19,995	17,815
Materials and supplies	12,363	12,364
Office and utility expense	54,909	48,266
Purchased power	71,166	62,725
Regulatory commission expense	4,630	7,878
Repairs and maintenance	20,961	25,000
Vehicle expense	5,646	11,880
Water testing	3,699	5,393
Bad debt expense	-	5,972
Other	3,609	2,628
Total operating expenses	876,095	887,667
OPERATING INCOME	217,341	190,671
NON-OPERATING REVENUES (EXPENSES)		
Sewer billing fees	11,940	11,940
Interest income	32,705	32,435
Amortization of bond discount	(999)	-
Gain (loss) on disposal of assets	27,505	(47,709)
Debt issuance costs	-	(25,043)
Interest expense	(206,066)	(166,592)
Total non-operating revenues (expenses)	(134,915)	(194,969)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	82,426	(4,298)
Capital grants	44,045	107,345
Customer tap fees	7,360	1,500
INCREASE IN NET POSITION	133,831	104,547
NET POSITION, BEGINNING OF YEAR	1,902,430	1,797,883
NET POSITION, END OF YEAR	$ 2,036,261	$ 1,902,430

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

WESTERN MASON COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 1,087,765	$ 1,048,291
Cash payments to suppliers for goods and services	(313,514)	(319,202)
Cash payments to employees	(303,116)	(304,267)
Net cash provided by operating activities	471,135	424,822
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(143,722)	(110,981)
Interest paid on capital debt	(219,461)	(112,926)
Purchases of capital assets	(653,910)	(1,501,987)
Proceeds from sale of capital assets	27,505	-
Contributed capital – tap fees	7,360	1,500
Contributed capital – grants	44,045	107,345
Proceeds from issuance of debt, net of discount and issuance costs	-	2,230,000
Net receipts from sanitation district	11,940	11,940
Net cash provided by (used for) capital and related financing activities	(926,243)	624,891
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of investments – RWFA funds	557,017	(1,015,983)
Interest income	32,705	32,435
Net cash provided by (used for) investing activities	589,722	(983,548)
NET INCREASE IN CASH AND CASH EQUIVALENTS	134,614	66,165
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	493,933	427,768
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 628,547	$ 493,933
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 217,341	$ 190,671
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	259,202	270,178
Bad debt expense	-	5,972
Changes in assets and liabilities:		
Accounts receivable	(13,653)	(37,330)
Inventories	5,109	(1,088)
Accounts payable and other liabilities	(3,522)	(10,315)
Customer deposits	6,658	6,734
Net cash provided by operating activities	$ 471,135	$ 424,822
Reconciliation of cash:		
Cash and cash equivalents – unrestricted	$ 66,626	$ 19,255
Cash and cash equivalents – restricted	561,921	474,678
Cash and cash equivalents, end of year	$ 628,547	$ 493,933

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

WESTERN MASON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The financial statements of the Western Mason County Water District ("the District") have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Western Mason County Water District was incorporated as a public body in 1958 under Chapter 74 of the Kentucky Revised Statutes to provide water services to portions of Mason and Bracken Counties in Kentucky. The Kentucky Public Service Commission presently regulates the District.

Under Section 115 of the Internal Revenue Code of 1986, the District is exempt from income taxes; therefore, no provision has been made.

Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Standards*, include whether:

- the District is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

Basis of Accounting

The District's operations are classified as an Enterprise Fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The Enterprise Fund is accounted for on the accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. The principal operating revenue of the District are charges to customers for sales and services. Operating expenses for an Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for account balances deemed not collectible, and the time period used to depreciate the capital assets. Actual results could differ from estimated amounts.

Assets, Liabilities, and Net Position

Cash and cash equivalents. For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, cash on deposit with banks, and certificates of deposit with an original maturity of less than three months (including amounts held in restricted asset accounts).

Receivables. Customer accounts receivable reflects revenues earned or accrued during the period from customers of the water system. These accounts are stated at face value less an allowance for doubtful accounts. The balance of the allowance for doubtful accounts as of December 31, 2025 and 2024 was $67,667 and $67,667, respectively.

Grants Receivable. Grants receivable consists of amounts disbursed that have not yet been reimbursed with approved grant funds.

Inventories. Inventories are valued at cost (first-in, first-out method).

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, including reserve requirements, are classified as restricted assets on the statement of net position since their use is limited by applicable bond and note indentures.

Capital Assets. Expenditures for items having a useful life greater than one year are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method as follows:

Utility plant and system lines	25-40 years
Pumping equipment and meters	20 years
Furniture, fixtures and equipment	5-20 years

Right-to-Use Assets. The District has recorded right to use lease assets in accordance with GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Long-Term Obligations. Long-term liabilities reported in the statement of net position include principal outstanding on notes and bonds.

Net Position. Net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position invested in capital assets, represents capital assets, less accumulated depreciation, less outstanding principal of related debt. Restricted net position reflects funds held in various reserve accounts to meet the various covenants as may be specified and defined in the revenue bond and note indentures or as deemed appropriate by management. All other net position is considered unrestricted.

Capital Grants/Contributions

Grants that are restricted to the purchase of property, plant and equipment are recorded as capital contributions, per GASB 33. The District received capital grants of $44,045 and $107,345 for the years ended December 31, 2025 and 2024, respectively.

Recent Accounting Pronouncements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), which requires governmental entities to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of GASB 102 were effective for the District beginning with its year ending December 31, 2025. The adoption of this statement did not have a material effect on the District's financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103"), which changes the key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. For governments engaged in business-type activities, the primary impact of the Statement will be changes to the statement of revenues, expenses, and changes in net position (SRECNP). This Statement not only changes the required sections and subtotals to be included in the SRECNP, but creates new definitions for subsidies and operating and nonoperating revenues and expenses. Upon adoption, the new definitions may cause reclassifications of revenues and expenses within the SRECNP.

This Statement also impacts other financial statement presentation requirements, including major component units, unusual or infrequent items, and management's discussion and analysis (MD&A). The requirements of GASB 103 will be effective for the District beginning with its year ending December 31, 2026. Management is currently evaluating the impact of this Statement on its financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* ("GASB 104"), which requires governmental entities to provide detailed information about capital assets in the notes to the financial statements. Types of capital assets within the scope of the new requirements include lease assets, intangible right-to-use assets, subscription assets, and other intangible assets. Additional disclosures about capital assets held for sale are also required. The requirements of GASB 104 will be effective for the District beginning with its year ending December 31, 2026. Management is currently evaluating the impact of this Statement on its financial statements.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events* ("GASB 105"). This Statement establishes accounting and financial reporting requirements for subsequent events, including defining the subsequent events period as extending through the date the financial statements are available to be issued, distinguishing between recognized and nonrecognized subsequent events, and requiring disclosure of the date through which subsequent events have been evaluated. The requirements of GASB 105 will be effective for the District beginning with its year ending December 31, 2027. Management is currently evaluating the impact of this Statement on its financial statements.

(2) CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's funds on deposit with the banks may not be returned to the District. The District's cash and cash equivalents consist of checking and savings accounts with local banks. This District does not have a deposit policy for custodial credit risk. At December 31, 2025, the carrying amount of the District's deposits was $628,547 and the bank balances totaled $630,987. The bank balances are categorized as follows:

Amount insured by the FDIC	$	250,000
Amount collateralized with securities held by the bank in the District's name		300,000
Uncollateralized		80,987
Total	$	630,987

(3) RESTRICTED ASSETS

BOND FUND REQUIREMENTS

In connection with the USDA bond issues, the District is required to make monthly deposits into sinking, reserve and short-lived asset funds. The balance of the sinking fund at December 31, 2025 was $263,538, which exceeded the required balance of $185,756. The balance of the reserve fund at December 31, 2025 was $204,592, which exceeded the required balance of $197,382. The balance of the short-lived assets fund at December 31, 2025 was $44,954, which exceeded the required balance of $41,719.

MAINTENANCE AND REPLACEMENT RESERVE REQUIREMENTS

In connection with the note payable with the Kentucky Infrastructure Authority, the District is required to make annual deposits of $1,250 into a maintenance and replacement reserve account until a balance of $12,500 has been established. Amounts in these funds can be used for extraordinary maintenance expenses related to the project. The balance at December 31, 2025 was $12,500, which was equal to the required balance of $12,500.

RWFA SINKING AND CONSTRUCTION FUNDS

In connection with the RWFA series 2024C assistance agreement, the District is required to make monthly deposits into a sinking fund. The balance of the sinking fund at December 31, 2025 totaled $74,432, which exceeded the required balance of $62,280. Unspent construction proceeds, restricted for spending on the project as specified in the assistance agreement, totaled $384,534 at December 31, 2025. Funds in both the sinking fund and unspent construction proceeds are held by the trustee and invested in repurchase agreements backed by US government debt securities.

RESTRICTED CASH

As of December 31, 2025 and 2024, restricted cash was as follows:

	2025	2024
Sinking Fund	$ 263,538	$ 210,751
Reserve Accounts	217,092	209,859
Customer Deposits	34,210	27,352
Short-Lived Assets	44,954	26,221
Construction Fund	2,127	495
	$ 561,921	$ 474,678

(4) CAPITAL ASSETS

Changes in Capital Assets. The following is a summary of changes in capital assets and accumulated depreciation for the years ended December 31, 2025 and 2024:

December 31, 2025	Balance Jan. 1, 2025	Additions	Deletions	Balance Dec. 31, 2025
Non-depreciable:				
Land	$ 257,446	$ -	$ -	$ 257,446
Construction in progress	768,120	639,275	-	1,407,395
Depreciable:				
Plant in service	8,979,689	7,360	-	8,987,049
Other depreciable assets	213,799	7,275	44,810	176,264
	10,219,054	653,910	44,810	10,828,154
Accumulated depreciation	3,978,618	259,202	44,810	4,193,010
	$ 6,240,436	$ 394,708	$ -	$ 6,635,144

December 31, 2024	Balance Jan. 1, 2024	Additions	Deletions	Balance Dec. 31, 2024
Non-depreciable:				
Land	$ 257,446	$ -	$ -	$ 257,446
Construction in progress	-	768,120	-	768,120
Depreciable:				
Plant in service	8,463,607	670,882	154,800	8,979,689
Other depreciable assets	150,814	62,985	-	213,799
	8,871,867	1,501,987	154,800	10,219,054
Accumulated depreciation	3,815,531	270,178	107,091	3,978,618
	$ 5,056,336	$ 1,231,809	$ 47,709	$ 6,240,436

(5) RIGHT-TO-USE ASSETS

The District has recorded a right-to-use leased asset for equipment. The related lease is discussed in the Leases subsection of the Long-Term Debt section of these notes. The right-to-use leased asset is amortized on a straight-line basis over the term of the related lease.

Right-to-use asset activity for the years ended December 31, 2025 and 2024, was as follows:

	January 1, 2025	Additions	Deductions	December 31, 2025
Right-to-use assets	$ 4,380	$ -	$ -	$ 4,380
Totals at historical cost	4,380	-	-	4,380
Less: accumulated amortization	594	2,391	-	2,985
Right-to-Use Assets – Net	$ 3,786	$ 2,391	$ -	$ 1,395

	January 1, 2024	Additions	Deductions	December 31, 2024
Right-to-use assets	$ 10,064	$ 4,380	$ 10,064	$ 4,380
Totals at historical cost	10,064	4,380	10,064	4,380
Less: accumulated amortization	8,682	1,976	10,064	594
Right-to-Use Assets – Net	$ 1,382	$ 2,404	$ -	$ 3,786

(6) LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the District for the years ended December 31, 2025 and 2024:

December 31, 2025:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 90,890	$ -	$ 12,222	$ 78,668	$ 12,468
Bonds payable	5,731,000	-	131,500	5,599,500	147,000
Unamortized premium (discount)	(29,957)	-	(999)	(28,958)	-
Total long-term debt	$ 5,791,933	$ -	$ 142,723	$ 5,649,210	$ 159,468

December 31, 2024:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 102,871	$ -	$ 11,981	$ 90,890	$ 12,222
Bonds payable	3,545,000	2,285,000	99,000	5,731,000	131,500
Unamortized premium (discount)	-	(29,957)	-	(29,957)	-
Total long-term debt	$ 3,647,871	$ 2,255,043	$ 110,981	$ 5,791,933	$ 143,722

Notes payable included in long-term debt in the accompanying financial statements includes the following at December 31, 2025 and 2024:

	2025	2024
$500,000 note payable to the Kentucky Infrastructure Authority, semi-annual Payments of $6,989, interest at 2.0%, $270,500 principal forgiven, with an original term of 20 years, secured by water revenues.	$ 78,668	$ 90,890
Total Notes Payable	$ 78,668	$ 90,890

The annual requirements to amortize the notes payable as of December 31, 2025 (including interest payments) are as follows:

Year Ending December 31,	Principal	Interest	Fees	Total
2026	$ 12,468	$ 1,511	$ 189	$ 14,168
2027	12,719	1,260	157	14,136
2028	12,974	1,005	126	14,105
2029	13,235	744	93	14,072
2030	13,500	479	60	14,039
2031	13,772	207	26	14,005
	$ 78,668	$ 5,206	$ 651	$ 84,525

Bonds Payable included in long-term debt in the accompanying financial statements includes the following at December 31, 2025 and 2024:

	2025	2024
$350,000 Water Revenue Bonds, 1988 series, maturing through May 1, 2028, with interest at 5.75%	$ 62,000	$ 80,000
$201,000 Water Revenue Bonds, 1997 series, maturing through October 7, 2036, with interest at 4.88%	96,000	102,500
$258,000 Water Revenue Bonds, 2001 series, maturing through January 1, 2042, with interest at 4.75%	166,000	172,500
$1,158,000 Water Revenue Bonds, 2007 series A, maturing through May 8, 2048, with interest at 4.375%	879,000	903,000
$243,000 Water Revenue Bonds, 2007 series B, maturing through May 8, 2048, with interest at 4.125%	182,000	187,000
$700,000 Water Revenue Bonds, 2010 series, maturing through January 1, 2050, with interest at 3.00%	553,500	567,000

$1,515,000 Water Revenue Bonds, 2020 series, maturing through January 1, 2061, with interest at 1.75%	1,406,000	1,434,000
$2,285,000 Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024C, maturing through August 1, 2054, interest due semi-annually at 4.20%-5.20%, secured by water revenues	2,255,000	2,285,000
Total Bonds Payable	$ 5,599,500	$ 5,731,000

The annual requirements to amortize the bonds as of December 31, 2025 (including interest payments) are as follows:

Year	Principal	Interest	Total
2026	$ 147,000	$ 203,388	$ 350,388
2027	150,000	197,239	347,239
2028	154,000	190,976	344,976
2029	141,000	185,450	326,450
2030	144,000	179,850	323,850
2031-2035	819,500	807,365	1,626,865
2036-2040	943,500	632,767	1,576,267
2041-2045	1,067,500	440,306	1,507,806
2046-2050	1,018,500	246,184	1,264,684
2051-2055	717,000	90,392	807,392
2056-2060	247,500	15,345	262,845
2061	50,000	438	50,438
Totals	$ 5,599,500	$ 3,189,700	$ 8,789,200

Leases

The District has entered into an agreement to lease a copier. In accordance with GASB 87, the lease has been recorded at the present value of the future minimum lease payments as of the date of inception.

1. A lease agreement was executed on August 2, 2024, to lease a copier and requires 24 monthly payments of $199 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 5.00%, which was the District's incremental borrowing rate at lease inception. As a result, the District has recorded a right to use asset.

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2025, were as follows:

Year	Principal	Interest	Requirements
2026	$ 1,395	$ 28	$ 1,423
	$ 1,395	$ 28	$ 1,423

(7) CONCENTRATIONS OF CREDIT

All of the District's revenues, most of which are comprised of residential billings, are generated by customers located in its two-county area.

(8) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District provides for risk financing by purchasing coverage from commercial insurance companies.

(9) COMMITMENTS AND CONTINGENCIES

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

OTHER INFORMATION

WESTERN MASON COUNTY WATER DISTRICT
OTHER INFORMATION REQUIRED BY RURAL DEVELOPMENT
DECEMBER 31, 2025

INSURANCE COVERAGE		AMOUNT	EXPIRATION DATE OF POLICY
General Liability	$	3,000,000	7/1/2026
Property – Building and Contents	$	2,913,000	7/1/2026
Equipment and Vehicles	$	3,000,000	7/1/2026
Public Officials Fidelity Bond	$	1,000/each	Indefinite
Encroachment Bond	$	6,500	6/24/2026
Workers Compensation		Statutory	7/1/2026
Treasurer Bond	$	250,000	Indefinite

COMMISSIONER	TERM EXPIRES
Larry Redden, Chairman	6/2027
Pam Carpenter, Secretary	7/2030
Jerry Fields, Treasurer	6/2029

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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 of Commissioners
Western Mason County Water District
Dover, 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 Western Mason County Water District (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
August 27, 2026