

Western Pulaski County Water District
Financial Statements
December 31, 2024 and 2023

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 6
Statements of Net Position	7 - 8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 27
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability – CERS	28
Schedule of the District's Pension Contributions – CERS	29
Schedule of the District's Proportionate Share of the Net OPEB Liability – CERS	30
Schedule of the District's OPEB Contributions – CERS	31
Supplementary Information:	
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34 - 35
Independent Auditors' Report on Compliance for Each Major Program And On Internal Control Over Compliance Required by the Uniform Guidance	36 - 38
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 <i>Government Auditing Standards</i>	39 – 40



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ■ R. Brent Billingsley, CPA ■ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ■ L. Joe Rutledge, CPA ■ Jenna B. Glass, CPA ■ Jordan T. Constant, CPA ■ Lane S. Norris, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Western Pulaski County Water District
Somerset, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Western Pulaski County Water District, as of and for the years ended December 31, 2024 and 2023, 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 business-type activities of Western Pulaski County Water District as of December 31, 2024 and 2023 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 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 Western Pulaski County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Western Pulaski County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-6 and the Pension and OPEB Liability Schedules on pages 28-31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic 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 May 28, 2025 on our consideration of the Western Pulaski County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Pulaski County Water District's internal control over financial reporting and compliance.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants
Glasgow, Kentucky
May 28, 2025

WESTERN PULASKI COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Western Pulaski County Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal year ending December 31, 2024. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

For the year ended December 31, 2024 total operating and non-operating revenues (including capital contributions) were \$6,464,674, an increase of \$1,824,463 from prior year, primarily due to a rate increase and increased grant revenue.

Total operating and non-operating expenses amounted to \$4,207,128 for the year ended December 31, 2024, a decrease of \$140,556, attributable mostly to a decrease in actuarial pension and OPEB expense.

Total assets and deferred outflows increased by \$2,427,761, and total liabilities and deferred inflows increased by \$170,217. These changes resulted in an increase in net position of \$2,257,544.

Overview of the Financial Statements

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The financial statements include notes which explain in detail some of the information included in the financial statements.

Required Financial Statements

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

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

WESTERN PULASKI COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Western Pulaski County Water District Summary of Net Position December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Total Current Assets	\$ 3,107,494	\$ 2,574,433
Total Restricted Assets	1,145,686	1,069,957
Net Capital Assets	<u>25,340,126</u>	<u>23,608,132</u>
Total Assets	<u>29,593,306</u>	<u>27,252,522</u>
 Deferred Outflows	 <u>768,126</u>	 <u>681,149</u>
Liabilities		
Total Current Liabilities	1,501,982	1,463,901
Total Long-term Liabilities	<u>14,974,738</u>	<u>15,285,169</u>
Total Liabilities	<u>16,476,720</u>	<u>16,749,070</u>
 Deferred Inflows	 <u>826,838</u>	 <u>384,271</u>
Net Position		
Invested in capital assets, net of related debt	11,509,598	9,853,674
Restricted for equipment replacement	205,351	260,450
Restricted for debt retirement	744,165	643,249
Restricted for water loss reduction	163,898	166,258
Unrestricted	<u>434,862</u>	<u>(123,301)</u>
Total Net Position	<u>\$ 13,057,874</u>	<u>\$ 10,800,330</u>

The largest portion (88%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding.

Restricted net position (9%) represents resources that are subject to external restrictions on how they may be used.

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

**WESTERN PULASKI COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Changes in Net Position
For the Year Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Total operating revenues	\$ 4,612,820	\$ 4,083,161
Total operating expenses	<u>3,871,156</u>	<u>3,892,391</u>
Operating income (loss)	741,664	190,770
Total non-operating revenue (expense)	<u>(269,298)</u>	<u>(423,923)</u>
Income before capital contributions	472,366	(233,153)
Capital contributions	<u>1,785,178</u>	<u>525,678</u>
Increase (decrease) in net position	2,257,544	292,525
Net position, beginning of year	<u>10,800,330</u>	<u>10,507,805</u>
Net position, end of year	<u><u>\$ 13,057,874</u></u>	<u><u>\$ 10,800,330</u></u>

Net position increased by \$2,257,544 from the prior year.

Capital Asset Changes

At December 31, 2024, the District had invested \$25,340,126 in capital assets net of accumulated depreciation. This amount represents a net increase of \$1,731,994 from the previous year due to construction projects at Bypass Fishing Creek and Faubush/Nancy Areas as well as routine radio read meter change outs, developer line extensions, and new meters set.

Debt Administration

At December 31, 2024, the District had \$13,830,430 in outstanding debt, an increase of \$134,867 from the prior year. The District incurred \$335,974 in interest expense associated with long term debt.

Request for Information

This financial report is designed to provide our customers and creditors with a general overview of Western Pulaski County Water District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Western Pulaski County Water District at 2128 West Highway 80, Somerset, KY or by phone (606) 679-1569.

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2024 and 2023

Assets	<u>2024</u>	<u>2023</u>
Current Assets		
Cash	\$ 2,102,362	\$ 1,651,299
Accounts receivable	457,301	452,327
Grant receivable	24,665	237,296
Prepaid assets	821	821
Inventory	522,345	232,690
Total Current Assets	<u>3,107,494</u>	<u>2,574,433</u>
Non-current Assets		
Restricted Assets		
Cash - Surcharge fund	163,898	166,258
Cash - Depreciation fund	205,351	260,450
Cash - Bond and interest	744,165	643,249
Net OPEB asset	<u>32,272</u>	<u>-</u>
Total Non-current Assets	<u>1,145,686</u>	<u>1,069,957</u>
Capital Assets		
Construction in progress	-	4,266,339
Land and land rights	331,066	331,066
Utility plant in service	35,465,390	29,329,787
Equipment	864,562	902,943
Accumulated depreciation	<u>(11,320,892)</u>	<u>(11,222,003)</u>
Net Capital Assets	<u>25,340,126</u>	<u>23,608,132</u>
Total Non-current Assets	<u>26,485,812</u>	<u>24,678,089</u>
Total Assets	<u>29,593,306</u>	<u>27,252,522</u>
Deferred Outflows		
Outflows relating to net pension and OPEB liabilities	<u>768,126</u>	<u>681,149</u>

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

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Net Position, Concluded
December 31, 2024 and 2023

Liabilities	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts payable	\$ 429,617	\$ 248,083
Construction accounts payable	24,763	296,191
Customer deposits	333,407	315,035
Accrued liabilities	31,425	38,782
Accrued interest	123,179	102,553
Current maturities of long-term debt	559,591	463,257
Total Current Liabilities	<u>1,501,982</u>	<u>1,463,901</u>
Long-term Liabilities		
Customer advances for construction	143,091	125,806
Accrued compensated absences	60,949	42,367
Long-term debt, less current maturities	13,270,839	13,232,306
Net OPEB liability	-	404,116
Net pension liability	1,499,859	1,480,574
Total Long-term Liabilities	<u>14,974,738</u>	<u>15,285,169</u>
Total Liabilities	<u>16,476,720</u>	<u>16,749,070</u>
Deferred Inflows		
Inflows relating to net pension and OPEB liabilities	<u>826,838</u>	<u>384,271</u>
Net Position		
Net Position		
Invested in capital assets, net of related debt	11,509,598	9,853,674
Restricted for equipment replacement	205,351	260,450
Restricted for debt retirement	744,165	643,249
Restricted for water loss reduction	163,898	166,258
Unrestricted	434,862	(123,301)
Total Net Position	<u>\$ 13,057,874</u>	<u>\$ 10,800,330</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Residential water sales	\$ 3,790,985	\$ 3,493,987
Commercial water sales	544,162	326,248
Miscellaneous service revenues	<u>277,673</u>	<u>262,926</u>
Total operating revenues	<u>4,612,820</u>	<u>4,083,161</u>
Operating expenses:		
Water purchases	1,654,593	1,478,653
Utilities	105,108	98,150
Transmission and distribution expense	42,187	20,148
Meter readers	63,777	74,924
Office expense	96,143	70,933
Transportation expenses	64,908	73,766
Insurance	59,497	99,874
Directors' fees	12,000	12,000
Employees' salaries and wages	777,058	727,324
Employees' pensions and benefits	267,910	293,040
Actuarial pension and OPEB expense	(61,513)	178,368
Payroll taxes	60,242	50,303
Depreciation and amortization	607,015	599,422
PSC tax assessment	6,345	4,606
Professional fees	69,741	65,207
Bad debts	13,709	9,457
Miscellaneous	<u>32,436</u>	<u>36,216</u>
Total operating expenses	<u>3,871,156</u>	<u>3,892,391</u>
Operating income (loss)	<u>741,664</u>	<u>190,770</u>
Non-operating revenue (expenses):		
Gain (Loss) on sale of property	11,674	(40,586)
Interest income	55,002	31,372
Interest expense on long-term debt	<u>(335,974)</u>	<u>(414,709)</u>
Total non-operating revenue (expenses)	<u>(269,298)</u>	<u>(423,923)</u>
Income/(loss) before capital contributions	<u>472,366</u>	<u>(233,153)</u>
Capital contributions		
Grant revenue	1,555,069	310,596
Tap fees	<u>230,109</u>	<u>215,082</u>
Total capital contributions	<u>1,785,178</u>	<u>525,678</u>
Increase (decrease) in net position	2,257,544	292,525
Net position:		
Beginning of year	<u>10,800,330</u>	<u>10,507,805</u>
End of year	<u>\$ 13,057,874</u>	<u>\$ 10,800,330</u>

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

WESTERN PULASKI COUNTY WATER DISTRICT
Statement of Cash Flows
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,626,218	\$ 4,039,171
Cash payments to suppliers for goods and services	(2,384,164)	(2,107,458)
Cash payments to employees for services	<u>(1,038,386)</u>	<u>(1,024,419)</u>
Net cash provided by (used) in operating activities	<u>1,203,668</u>	<u>907,294</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(4,479,391)	(474,864)
Proceeds from debt	4,614,258	4,030,483
Interest paid on long-term debt	(315,348)	(392,698)
Proceeds from sale of property	42,551	123,286
Additions to capital assets	(2,369,886)	(3,904,299)
Increase (decrease) in construction payable	(271,428)	(599,554)
Increase (decrease) in customer advances	17,285	60,026
Grant proceeds	1,767,700	73,300
Tap fees	<u>230,109</u>	<u>215,082</u>
Net cash provided by (used) in financing activities	<u>(764,150)</u>	<u>(869,238)</u>
Cash flows from investing activities:		
Interest income	<u>55,002</u>	<u>31,372</u>
Net cash provided by (used) in investing activities	<u>55,002</u>	<u>31,372</u>
Net increase (decrease) in cash and cash equivalents	494,520	69,428
Cash and cash equivalents, beginning of year	<u>2,721,256</u>	<u>2,651,828</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,215,776</u></u>	<u><u>\$ 2,721,256</u></u>
Reconciliation of operating income to		
net cash provided by operating activities:		
Operating income (loss)	\$ 741,664	\$ 190,770
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	607,015	599,422
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,974)	(78,356)
(Increase) decrease in prepaid assets	-	6,977
(Increase) decrease in inventory	(289,655)	-
Increase (decrease) in actuarial pension/OPEB	(61,513)	178,368
Increase (decrease) in accounts payable	181,534	(25,154)
Increase (decrease) in customer deposits	18,372	34,366
Increase (decrease) in accrued liabilities	<u>11,225</u>	<u>901</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,203,668</u></u>	<u><u>\$ 907,294</u></u>

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

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 1 – Description of Entity and Summary of Significant Accounting Policies

Organization

The Western Pulaski County Water District was organized under KRS 74.010 to provide water service to the residents of Western Pulaski County. The District's commissioners are appointed by the Pulaski County Judge-Executive.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Western Pulaski County.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The District adopted the provisions of Governmental Accounting Standards Board (GASB) No. 34 *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components: (i) invested in capital position, net of related debt, (ii) restricted, and (iii) unrestricted.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued

These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Restricted Funds

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.

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2024 or 2023. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ending December 31, 2024 and 2023 was \$607,015 and \$599,422 respectively.

The estimated useful lives of capital assets are as follows:

Transmission and Distributor	62.5 years
Distribution Reservoirs	45 years
Meter Installs and Services	40 years
Structures and Improvements	38 years
Pumping Equipment	20 years
Vehicles and Equipment	7-10 years

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value. The District has adopted no formal investment policy.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position.

Inventory

Inventory is valued at lower of cost or net realizable value, using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the years ended December 31, 2024 and 2023 the District had complied with this requirement.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles 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.

Depreciation Fund

The ordinances authorizing the various bond and loan issues of the District require annual transfers into a depreciation fund until the maximum requirement of \$535,740 is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2024 and 2023 the District had complied with this requirement.

Compensated Absences

Full time employees with 1-3 years of service receive 1 week of paid vacation, 4-6 years, 2 weeks of vacation, 7-10 years, 3 weeks of vacation and 11 years or more, 4 weeks. Unused vacation time may be carried over from one calendar year to another with a maximum of 4 weeks accrued. Upon retirement or termination, employees are compensated for any currently accrued vacation pay.

Leases:

GASB Statement No. 87 (Leases) enhances the relevance and consistency of information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable. For the year ended December 31, 2024, the District had no qualifying leases to report.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 2 – Capital Assets

Capital asset activity for the years ended December 31, 2024 and 2023 was as follows:

<u>2024</u>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 331,066	\$ -	\$ -	\$ 331,066
Construction in progress	4,266,339	1,829,381	(6,095,720)	-
<i>Total Non-Depreciable Capital Assets</i>	<u>4,597,405</u>	<u>1,829,381</u>	<u>(6,095,720)</u>	<u>331,066</u>
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	21,503,224	5,353,982	(220,000)	26,637,206
Meter installations	3,945,604	390,642	(66,600)	4,269,646
Services	632,360	73,693	-	706,053
Office equipment	223,590	-	-	223,590
Equipment and tools	182,675	-	-	182,675
Buildings	483,267	-	-	483,267
Distribution reservoir	1,262,945	-	-	1,262,945
Hydrants	20,147	-	-	20,147
Electric pumping equipment	1,482,240	741,738	(137,852)	2,086,126
Vehicles	496,678	76,170	(114,551)	458,297
<i>Total Depreciable Capital Assets</i>	<u>30,232,730</u>	<u>6,636,225</u>	<u>(539,003)</u>	<u>36,329,952</u>
Less: Accumulated depreciation	<u>(11,222,003)</u>	<u>(607,015)</u>	<u>508,126</u>	<u>(11,320,892)</u>
Total Net Capital Assets	<u>\$ 23,608,132</u>			<u>\$ 25,340,126</u>
<u>2023</u>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 494,938	\$ -	\$ (163,872)	\$ 331,066
Construction in progress	1,332,389	3,540,665	(606,715)	4,266,339
<i>Total Non-Depreciable Capital Assets</i>	<u>1,827,327</u>	<u>3,540,665</u>	<u>(770,587)</u>	<u>4,597,405</u>
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	20,940,213	563,011	-	21,503,224
Meter installations	3,698,001	302,053	(54,450)	3,945,604
Services	632,360	-	-	632,360
Office equipment	223,590	-	-	223,590
Equipment and tools	116,937	65,738	-	182,675
Buildings	483,267	-	-	483,267
Distribution reservoir	1,262,945	-	-	1,262,945
Hydrants	20,147	-	-	20,147
Electric pumping equipment	1,482,240	-	-	1,482,240
Vehicles	457,131	39,547	-	496,678
<i>Total Depreciable Capital Assets</i>	<u>29,316,831</u>	<u>970,349</u>	<u>(54,450)</u>	<u>30,232,730</u>
Less: Accumulated depreciation	<u>(10,677,031)</u>	<u>(599,422)</u>	<u>54,450</u>	<u>(11,222,003)</u>
Total Net Capital Assets	<u>\$ 20,467,127</u>			<u>\$ 23,608,132</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 3 – Long-Term Debt

Long-term debt consists of the following bonds payable at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Series 2002A Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$900,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	\$ 607,000	\$ 628,000
Series 2002B Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$550,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	368,000	381,000
Series 2010 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$911,000; due in annual installments on January 1, through 2049; interest rate of 2.25% due semi-annually on January 1 and July 1.	695,500	715,000
Series 2012E Water Revenue Bonds issued through Kentucky Rural Water Finance Corporation in the amount of \$2,080,000; (to refund Series 2001A and 2001B revenue bonds) due in annual installments on July 1, through 2035; interest rate of 2.2 - 3.7% due semi-annually on January 1 and July 1.	615,000	760,000
Series 2013 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$1,400,000; due in annual installments on January 1, through 2053; interest rate of 2.25% due semi-annually on January 1 and July 1.	1,166,500	1,195,000
Series 2018 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$2,225,000; due in annual installments on January 1, through 2057; interest rate of 2.50% due semi-annually on January 1 and July 1.	2,037,000	2,076,500
Series 2023 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$4,472,000; due in annual installments on January 1, through 2064; interest rate of 1.75% due semi-annually on January 1 and July 1.	<u>4,472,000</u>	<u>-</u>
Total Bonds Payable:	<u>\$ 9,961,000</u>	<u>\$ 5,755,500</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 3 – Long-Term Debt, Continued

Long-term debt consists of the following notes not yet finalized at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
KIA B20-004 Loan issued through Kentucky Infrastructure Authority for Water System Improvements project not to exceed \$1,146,000; interest of 1.50% due monthly succeeding date of initial draw of funds. A loan servicing fee of .20% of the annual outstanding balance shall be payable as part of each interest payment. Principal payments are due June 1 and December 1 beginning December 2021.	\$ 981,688	\$ 1,033,760
KIA F16-003 Loan issued through Kentucky Infrastructure Authority of the Federally Assisted Drinking Water Revolving Loan Fund for Water System Improvements project not to exceed \$3,304,000; interest of 1.75% due monthly succeeding date of initial draw of funds. A loan servicing fee of .25% of the annual outstanding balance shall be payable as part of each interest payment. Principal payments due June 1 and December 1 beginning June 2022.	2,887,742	3,032,427
Citizens National Bank issued interim financing for the Water System Improvements project not to exceed \$4,472,000; interest of 6.95% due monthly succeeding date of initial draw of funds. The loan was refinanced with USDA Rural Development Revenue Bonds in February 2024.	<u>-</u>	<u>3,873,876</u>
Total Notes Payable:	<u>\$ 3,869,430</u>	<u>\$ 7,940,063</u>

Principal and interest maturities of long-term debt (excluding interim financing) are as follows:

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 559,591	\$ 294,332	\$ 853,923
2026	451,474	292,620	744,094
2027	461,915	282,087	744,002
2028	470,913	271,294	742,207
2029	483,971	260,293	744,264
2030-2034	2,588,377	1,123,443	3,711,820
2035-2039	2,665,829	807,249	3,473,078
2040-2044	1,905,860	514,817	2,420,677
2045-2049	1,333,000	355,439	1,688,439
2050-2054	1,228,500	219,281	1,447,781
2055-2059	941,000	104,779	1,045,779
2050-2064	740,000	32,724	772,724
	<u>\$13,830,430</u>	<u>\$ 4,558,358</u>	<u>\$18,388,788</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 3 – Long-Term Debt, Concluded

Long-term debt activity for the years ended December 31, 2024 and 2023 was as follows:

Debt	Balance January 1, 2024	Additions	Debt Payments and Reductions	Balance December 31, 2024	Amount Due within One Year
RD 2002A	\$ 628,000	\$ -	\$ (21,000)	\$ 607,000	\$ (23,000)
RD 2002B	381,000	-	(13,000)	368,000	(14,000)
RD 2010	715,000	-	(19,500)	695,500	(20,000)
KRWFC 2012E	760,000	-	(145,000)	615,000	(155,000)
RD 2013	1,195,000	-	(28,500)	1,166,500	(29,000)
KIA F16-003	3,032,427	-	(144,685)	2,887,742	(147,229)
RD 2018	2,076,500	-	(39,500)	2,037,000	(40,500)
KIA B20-004	1,033,760	-	(52,072)	981,688	(52,862)
CNB-Interim Financing	3,873,876	142,258	(4,016,134)	-	-
RD 2023	-	4,472,000	-	4,472,000	(78,000)
	<u>\$ 13,695,563</u>	<u>\$ 4,614,258</u>	<u>\$ (4,479,391)</u>	<u>\$ 13,830,430</u>	<u>\$ (559,591)</u>

Debt	Balance January 1, 2023	Additions	Debt Payments and Reductions	Balance December 31, 2023	Amount Due within One Year
RD 2002A	\$ 649,000	\$ -	\$ (21,000)	\$ 628,000	\$ (21,000)
RD 2002B	394,000	-	(13,000)	381,000	(13,000)
RD 2010	734,000	-	(19,000)	715,000	(19,500)
KRWFC 2012E	900,000	-	(140,000)	760,000	(145,000)
RD 2013	1,222,500	-	(27,500)	1,195,000	(28,500)
KIA F16-003	3,128,396	45,647	(141,616)	3,032,427	(144,685)
RD 2018	2,115,000	-	(38,500)	2,076,500	(39,500)
KIA B20-004	997,048	87,988	(51,276)	1,033,760	(52,072)
CNB-Interim Financing	-	3,896,848	(22,972)	3,873,876	-
	<u>\$ 10,139,944</u>	<u>\$ 4,030,483</u>	<u>\$ (474,864)</u>	<u>\$ 13,695,563</u>	<u>\$ (463,257)</u>

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The District performed calculations of excess investment earnings on various bonds and at December 31, 2023 and does not expect to incur a liability.

Note 4 – Commitments

The Water System Improvements and Replacements Project began in 2017. During 2024 the District continued Phase III of the project, finishing work at the Bypass Fishing Creek Area and Faubush/Nancy area as of year end. The USDA Rural Development issued bonds of \$4,472,000 and grant funds of \$725,000 for the Fishing Creek Area project, as of December 31, 2024, \$609,096 of the RD grant funds had been expended. Kentucky Infrastructure Authority also awarded Cleaner Water grant funds in the amount of \$1,183,269 for the Nancy/Faubush project, the District had expended all Cleaner Water grant funds as of December 31, 2024.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 5 – Subsequent Events

Management has evaluated subsequent events through May 28, 2025, the date which the financial statements were available to be issued.

Note 6 – Cash and Investments

The carrying amount of the District's cash deposits was \$3,215,776 and \$2,721,256 for the years ending December 31, 2024 and 2023 respectively and the bank balances were \$3,250,958 and \$2,733,826. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. All of the District's deposits were either insured by FDIC or by collateral pledged by the financial institution. The District does not have a formal investment policy.

Note 7– Pension Plan

Governments providing defined benefit pensions are required to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The District participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by the state statute. Benefits of CERS members are calculated on the basis of age, final average salary, and service credit. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 7 – Pension Plan, Continued

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's average rate of pay and any dependent child will receive 50% of the decedent's average rate of pay up to 75% for three dependent children. Five years' service is required for nonservice related disability benefits.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option Form of payment for members who retire on and after January 1, 2024, and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022.

Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Employer contribution rates for CERS are determined by the KRS Board without further legislative review. The methods used to determine the employer contribution rates for KRS are specified in Kentucky Revised Statutes 61.565. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly. House Bill 362 was enacted in the 2018 legislative sessions that limits the annual increase in the CERS employer contribution over the prior fiscal year to 12% per year for the period July 1, 2018 to June 30, 2028, or until the full actuarial required contribution is met.

At December 31, 2024, the District reported a liability for its proportionate share of the net pension liability for CERS.

District's proportionate share of the CERS net pension liability	\$ 1,499,859
--	--------------

The net pension liability for each plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the District's proportion was .023375%.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 7 – Pension Plan, Continued

For the year ended December 31, 2024, the District recognized pension expense of \$230,849. At December 31, 2024, 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>
Difference between expected and actual experience in the measurement of the total pension liability	\$ 77,645	\$ 4,076
Net difference between projected and actual earnings on pension plan investments	98,383	182,486
Changes in assumptions	-	137,463
Changes in proportion and differences between employer contributions and proportionate share of contributions	170,755	-
District contributions subsequent to the measurement date	<u>169,021</u>	<u>-</u>
	<u><u>\$ 515,804</u></u>	<u><u>\$ 324,025</u></u>

The 2024 CERS employer contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows related to pensions will be amortized and recognized in pension expense as follows:

<u>Year Ended</u>	<u>Net Deferred Outflows (Inflows)</u>
12/31/2025	\$ 3,796
12/31/2026	33,483
12/31/2027	(14,521)
12/31/2028	-
12/31/2029	-
	<u><u>\$ 22,758</u></u>

Actuarial assumptions—Prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30:

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Inflation	2.30%
Projected salary increases	3.30% to 10.30%
Investment rate of return, net of investment expense and inflation	6.50%

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 7 – Pension Plan, Continued

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Boards and statutory fundings requirements. Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of the Actuarial Experience Study. In general, the assumptions and methods used in the June 30, 2023 valuation are based on the most recent actuarial experience study performed as of June 30, 2022, submitted and adopted by the Boards in May and June 2023. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022”, and include a change in the investment return assumption from 6.25% to 6.50%

Mortality assumptions: Pre-retirement mortality uses PUB-2010 General Mortality table, for the nonhazardous systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. Post-retirement mortality (non-disabled) uses system specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. Postretirement mortality (disabled) uses PUB-2010 disabled mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. These mortality assumptions were adopted in 2023.

Discount rate: The discount rate used to measure the total pension liability was 6.50%.

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

Municipal bond rate: The discount rate determination does not use a municipal bond rate.

Periods of projected benefit payments: The long-term expected rates of return on pension plan assets was applied to all periods of the projected benefit payments to determine the total pension liability for each system.

Long-term rate of return: The long-term (10 year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighing the expected future real rates of return by the target asset allocation percentage.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 7 – Pension Plan, Concluded

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	<u>100.0%</u>	

Sensitivity Analysis: The following table presents the net pension liability of the District, calculated using the discount rates selected by CERS, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$1,893,662	\$1,499,859	\$1,172,593

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CERS. The effect of the net pension liability on the District's net position has been determined on the same basis used by Kentucky Retirement Systems.

Non-hazardous plan members are required to contribute 5% of their annual creditable compensation. The Western Pulaski County Water District is required to contribute at actuarially determined rates. The pension contribution rate was 19.71% for the year ended June 30, 2025 and 23.34% for the year ended June 30, 2024 for non-hazardous employees' annual creditable compensation. The OPEB contribution rate was 0% for the year ended June 30, 2025 and 0% for the year ended June 30, 2024. The contribution requirements of the plan members of the Western Pulaski County Water District, are established and may be amended by the Board of Trustees of KRS.

For the year ended December 31, 2024, the District's total covered payroll was approximately \$784,000. The District contributed approximately \$169,000 for pension OPEB benefits and employees contributed approximately \$45,000 for pension and OPEB benefits.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 8 – Other Postemployment Benefits (OPEB)

Kentucky Retirement Systems provides participants their proportionate share of the OPEB unfunded liability calculated by Gabriel, Roeder, Smith & Co (GRS) to be used in financial reports. KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov.

Plan Description: The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, District, school board, and any additional eligible local agencies electing to participate.

Benefits Provided: The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

Assumptions and plan provisions: The Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option Form of payment for members who retire on and after January 1, 2024, and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022.

Contributions: 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, 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 maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 8 – Other Postemployment Benefits (OPEB), Continued

Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Dollar Contribution for Fiscal Year 2023</u>		<u>Portion Paid by Insurance Fund</u>	
For Member participation date on or after July 1, 2003		As of June 30, 2023	
<u>System</u>	(in whole dollars)	<u>Years of service</u>	<u>% Paid by Insurance Fund</u>
KERS Non-hazardous	\$ 14.20	20+ years	100.00%
KERS Hazardous	\$ 21.30	15-19 years	75.00%
CERS Non-hazardous	\$ 14.20	10-14 years	50.00%
CERS Hazardous	\$ 21.30	4-9 years	25.00%
SPRS	\$ 21.30	Less than 4 years	0.00%

The projection of cash flows used to determine the single discount rate must include an assumption regarding the actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

OPEB Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued KRS financial statements.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 8 – Other Postemployment Benefits (OPEB), Continued

At December 31, 2024, the District reported an asset of \$32,272 for its proportionate share of the net OPEB liability/asset. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. At June 30, 2023, the District's proportionate share was .023374%.

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense (income) of (\$123,341) for the year ended December 31, 2024 and reported deferred inflows and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience in the measurement of the OPEB liability	\$ 22,498	\$ 389,894
Net difference between projected and actual investment earnings on OPEB investments	60,395	67,885
Changes in assumptions and other inputs	63,508	44,259
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,380	775
District contributions subsequent to the measurement date of the OPEB liability	10,541	-
	<u>\$ 252,322</u>	<u>\$ 502,813</u>

The deferred outflows resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

Year Ended	Net Deferred Outflows/(Inflows)
12/31/2025	\$ (99,271)
12/31/2026	(83,787)
12/31/2027	(77,974)
12/31/2028	-
12/31/2029	-
Total	<u>\$ (261,032)</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 8 – Other Postemployment Benefits (OPEB), Continued

Actuarial Assumptions: The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2023 using generally accepted actuarial principles. The KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2022:

Assumed investment return	6.50%
Inflation factor	2.50%
Salary increases	3.30% to 10.30%

Mortality rates were based on a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	5.15%
Total	<u>100.00%</u>	

Discount Rate: The single discount rate of 5.93% for Non-hazardous employees was used to measure the total OPEB liability as of June 30, 2023. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2023. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS-Discount Rate	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	\$ 60,562	\$ (32,272)	\$ (110,008)

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2024 and 2023

Note 8 – Other Postemployment Benefits (OPEB), Concluded

Healthcare Trend Rate: The initial trend rate for participants under 65 years of age starts at 6.3% at January 1, 2023 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. For those over 65 years of age the trend rate starts at 6.3% at January 1, 2023 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The following table presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Current Trend Rate</u>	<u>1% Increase</u>
Healthcare Cost Trent Rate	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	\$ (103,436)	\$ (32,272)	\$ 55,147

Note 9 – Deferred Inflows/Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2024 the District reported deferred outflows related to the pension and OPEB liabilities in the amount of \$768,126.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2024 the District reported deferred inflows related to the pension and OPEB liabilities in the amount of \$826,838.

Required Supplementary Information

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's portion of the net pension liability	0.023375%	0.020481%	0.018996%	0.015383%	0.014255%	0.01351%	0.01441%	0.01207%	0.01152%	0.01198%
District's proportionate share of net pension liability	\$ 1,499,859	\$ 1,480,574	\$ 1,211,144	\$ 1,179,863	\$ 1,002,561	\$ 822,557	\$ 843,637	\$ 594,353	\$ 495,402	\$ 388,639
District's covered-employee payroll	\$ 784,000	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000	\$ 345,000	\$ 340,000	\$ 260,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.31%	196.62%	204.93%	220.95%	227.85%	220.52%	250.34%	172.28%	145.71%	149.48%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Pension Contributions
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 169,021	\$ 164,762	\$ 127,197	\$ 109,935	\$ 85,044	\$ 65,969	\$ 52,091	\$ 65,000	\$ 62,000	\$ 46,000
Contributions in relation to the contractually required contribution	<u>(169,021)</u>	<u>(164,762)</u>	<u>(127,197)</u>	<u>(109,935)</u>	<u>(85,044)</u>	<u>(65,969)</u>	<u>(52,091)</u>	<u>(65,000)</u>	<u>(62,000)</u>	<u>(46,000)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 784,000	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000	\$ 345,000	\$ 340,000	\$ 260,000
Contributions as a percentage of covered- employee payroll	21.56%	21.88%	21.52%	20.59%	19.33%	17.69%	15.46%	18.84%	18.24%	17.69%

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's portion of the net OPEB liability	0.023374%	0.020477%	0.018992%	0.153790%	0.014251%	0.01351%	0.01441%
District's proportionate share of net OPEB liability	\$ (32,272)	\$ 404,116	\$ 363,592	\$ 371,356	\$ 239,695	#VALUE!	\$ 289,751
District's covered-employee payroll	\$ 784,000	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-4.12%	53.67%	61.52%	69.54%	54.48%	#VALUE!	85.98%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

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

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's OPEB Contributions
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ 23,869	\$ 31,799	\$ 27,484	\$ 21,261	\$ 19,016	\$ 17,364
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(23,869)</u>	<u>(31,799)</u>	<u>(27,484)</u>	<u>(21,261)</u>	<u>(19,016)</u>	<u>(17,364)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 784,000	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000
Contributions as a percentage of covered- employee payroll	0.00%	3.17%	5.38%	5.15%	4.83%	5.10%	5.15%

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

Supplementary Information

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor and Number	Name of Grant Grant ID No.	Federal Expenditures
<i>Other Programs</i>				
Department of the Treasury				
Coronavirus State and Local Fiscal Recovery Funds	21.027	Kentucky Infrastructure Authority 22CWW187	Cleaner Water 22CWW187	\$ 897,664
Coronavirus State and Local Fiscal Recovery Funds	21.027	Kentucky Infrastructure Authority 21CWW192	Cleaner Water 21CWW192	<u>48,309</u>
Total Department of the Treasury				<u>945,973</u>
United States Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities	10.760	-	-	<u>609,096</u>
Total Water and Waste Disposal Systems for Rural Communities				<u>609,096</u>
Total United States Department of Agriculture				<u>609,096</u>
Total Other Programs				<u>1,555,069</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,555,069</u></u>

**Western Pulaski County Water District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Western Pulaski County Water District under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District it is not intended to and does not present the net position, changes in net position, or cash flows of Western Pulaski County Water District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Western Pulaski County Water District has elected not to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

4. Subrecipients

No awards were passed through to subrecipients during the year ended December 31, 2024.

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with

GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified
that are not considered to be material
weaknesses? Yes X None reported
- Noncompliance material to financial
statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified
that are not considered to be material
weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

 Yes X No

Dollar threshold used to distinguish
Between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

Identification of Major Programs:

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS 21.027

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of Findings and Questioned Costs, Concluded
For the Year Ended December 31, 2024

II. FINANCIAL STATEMENT FINDINGS

2024-001 Repeat Finding-Internal Control over Financial Reporting

Criteria: It is imperative that management and governance have accurate monthly financial reports to ensure they have a thorough understanding of the District's current financial condition.

Condition: During our audit it was noted that many receipts and disbursements were misclassified in the general ledger.

Cause: Management did not thoroughly review the financial information provided to them from the bookkeeping firm providing accounting services in order to detect and correct reporting errors and misclassifications.

Effect: The financial statements required many adjustments at year end to accurately report the financial position and results of operations of the District.

Recommendation: We recommend the District review and reconcile financial statements with the bookkeeper on a monthly basis and discuss proper classification of certain routine charges and adjustments to ensure more accurate financial reporting.

Management Response: Management understands the importance and will communicate more thoroughly with the bookkeeper.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

IV. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

None reported.

Prior Year Audit Findings:

2023-001 Internal Control over Financial Reporting

Condition: During our audit it was noted that many receipts and disbursements were misclassified in the general ledger.

Recommendation: We recommend the District review and reconcile financial statements with the bookkeeper on a monthly basis and discuss proper classification of certain routine charges and adjustments to ensure more accurate financial reporting.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ■ R. Brent Billingsley, CPA ■ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ■ L. Joe Rutledge, CPA ■ Jenna B. Glass, CPA ■ Jordan T. Constant, CPA ■ Lane S. Norris, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Commissioners and Management
Western Pulaski County Water District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Western Pulaski County Water District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Pulaski County Water District's major federal programs for the year ended December 31, 2024. Western Pulaski County Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Western Pulaski County Water District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Western Pulaski County Water District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Western Pulaski County Water District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Western Pulaski County Water District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Western Pulaski County Water District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Western Pulaski County Water District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Western Pulaski County Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Western Pulaski County Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Western Pulaski County Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Campbell, Myers and Ratledge, PLLC

Glasgow, Kentucky

May 28, 2025



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ■ R. Brent Billingsley, CPA ■ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ■ L. Joe Rutledge, CPA ■ Jenna B. Glass, CPA ■ Jordan T. Constant, CPA ■ Lane S. Norris, CPA

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

To the Board of Commissioners
Western Pulaski County Water District
Somerset, 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 Western Pulaski County Water District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Western Pulaski County Water District's basic financial statements and have issued our report thereon dated May 28, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Western Pulaski County Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Western Pulaski County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Western Pulaski County Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Campbell, Myers and Ratledge, PLLC

Glasgow, Kentucky

May 28, 2025

