Western Pulaski County Water District

Financial Statements

December 31, 2025 and 2024

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

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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, 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 business-type activities of Western Pulaski County Water 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 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 of 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.

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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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2026 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, 2026

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, 2025. 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, 2025 total operating and non-operating revenues (including capital contributions) were $5,186,024, a decrease of $1,278,650 from prior year, primarily due to a decreased grant revenue.

Total operating and non-operating expenses amounted to $4,195,788 for the year ended December 31, 2025, a decrease of $11,340, while there was a decrease in salaries and benefits due to retirement of the office manager in July 2025, there was an increase in depreciation expense due to Phase III of Water Improvements project in service at end of year 2024.

Total assets and deferred outflows increased by $1,371,051, and total liabilities and deferred inflows increased by $380,815. These changes resulted in an increase in net position of $990,236.

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.

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.

Summary of Net Position
December 31, 2025 and 2024

	2025	2024
Assets		
Total Current Assets	$ 3,365,638	$ 3,147,328
Total Restricted Assets	1,129,594	1,145,686
Net Capital Assets	26,689,565	25,340,126
Total Assets	31,184,797	29,633,140
Deferred Outflows	587,520	768,126
Liabilities		
Total Current Liabilities	2,107,426	1,501,982
Total Long-term Liabilities	14,970,192	14,974,738
Total Liabilities	17,077,618	16,476,720
Deferred Inflows	606,755	826,838
Net Position		
Invested in capital assets, net of related debt	12,292,832	11,509,598
Restricted for equipment replacement	281,228	205,351
Restricted for debt retirement	650,643	744,165
Restricted for water loss reduction	154,741	163,898
Unrestricted	708,500	474,696
Total Net Position	$ 14,087,944	$ 13,097,708

The largest portion (87%) 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 (8%) 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.

Summary of Changes in Net Position
For the Year Ended December 31, 2025 and 2024

	2025	2024
Total operating revenues	$ 4,871,068	$ 4,612,820
Total operating expenses	3,894,345	3,871,156
Operating income (loss)	976,723	741,664
Total non-operating revenue (expense)	(290,250)	(269,298)
Income before capital contributions	686,473	472,366
Capital contributions	303,763	1,785,178
Increase (decrease) in net position	990,236	2,257,544
Net position, beginning of year, restated	13,097,708	10,840,164
Net position, end of year	$ 14,087,944	$ 13,097,708

Net position increased by $990,236 from the prior year.

Capital Asset Changes

At December 31, 2025, the District had invested $26,689,565 in capital assets net of accumulated depreciation. This amount represents a net increase of $1,551,657 from the previous year due to the Bourbon tank construction project as well as routine radio read meter change outs, developer line extensions, and new meters set.

Debt Administration

At December 31, 2025, the District had $13,623,499 in outstanding debt, a net decrease of $206,931 from the prior year. The District incurred $301,443 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, 2025 and 2024

Assets

		2025		2024
Current Assets				
Cash	$	2,431,828	$	2,102,362
Accounts receivable		491,025		457,301
Grant receivable		-		24,665
Prepaid assets		821		40,655
Inventory		441,964		522,345
Total Current Assets		3,365,638		3,147,328
Non-current Assets				
Restricted Assets				
Cash - Surcharge fund		154,741		163,898
Cash - Depreciation fund		281,228		205,351
Cash - Bond and interest		650,643		744,165
Net OPEB asset		42,982		32,272
Total Non-current Assets		1,129,594		1,145,686
Capital Assets				
Construction in progress		1,125,895		-
Land and land rights		331,066		331,066
Utility plant in service		36,321,896		35,465,390
Equipment		864,562		864,562
Accumulated depreciation		(11,953,854)		(11,320,892)
Net Capital Assets		26,689,565		25,340,126
Total Non-current Assets		27,819,159		26,485,812
Total Assets		31,184,797		29,633,140
Deferred Outflows				
Outflows relating to net pension and OPEB liabilities		587,520		768,126

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Net Position, Concluded
December 31, 2025 and 2024

Liabilities	2025	2024
Current Liabilities		
Accounts payable	$ 249,469	$ 429,617
Construction accounts payable	773,234	24,763
Customer deposits	366,236	333,407
Accrued liabilities	34,534	31,425
Accrued interest	118,006	123,179
Current maturities of long-term debt	565,947	559,591
Total Current Liabilities	2,107,426	1,501,982
Long-term Liabilities		
Customer advances for construction	366,068	143,091
Accrued compensated absences	61,992	60,949
Long-term debt, less current maturities	13,057,552	13,270,839
Net pension liability	1,484,580	1,499,859
Total Long-term Liabilities	14,970,192	14,974,738
Total Liabilities	17,077,618	16,476,720
Deferred Inflows		
Inflows relating to net pension and OPEB liabilities	606,755	826,838
Net Position		
Net Position		
Invested in capital assets, net of related debt	12,292,832	11,509,598
Restricted for equipment replacement	281,228	205,351
Restricted for debt retirement	650,643	744,165
Restricted for water loss reduction	154,741	163,898
Unrestricted	708,500	474,696
Total Net Position	$ 14,087,944	$ 13,097,708

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

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Residential water sales	$ 4,038,137	$ 3,790,985
Commercial water sales	544,388	544,162
Miscellaneous service revenues	288,543	277,673
Total operating revenues	4,871,068	4,612,820
Operating expenses:		
Water purchases	1,633,639	1,654,593
Utilities	101,299	105,108
Transmission and distribution expense	64,511	42,187
Meter readers	49,613	63,777
Office expense	115,602	96,143
Transportation expenses	49,312	64,908
Insurance	54,557	59,497
Directors' fees	11,800	12,000
Employees' salaries and wages	743,896	777,058
Employees' pensions and benefits	244,691	267,910
Actuarial pension and OPEB expense	(65,466)	(61,513)
Payroll taxes	65,677	60,242
Depreciation	703,412	607,015
PSC tax assessment	7,357	6,345
Professional fees	67,455	69,741
Bad debts	15,833	13,709
Miscellaneous	31,157	32,436
Total operating expenses	3,894,345	3,871,156
Operating income (loss)	976,723	741,664
Non-operating revenue (expenses):		
Gain (Loss) on sale of property	3,100	11,674
Interest income	8,093	55,002
Interest expense on long-term debt	(301,443)	(335,974)
Total non-operating revenue (expenses)	(290,250)	(269,298)
Income/(loss) before capital contributions	686,473	472,366
Capital contributions		
Grant revenue	115,904	1,555,069
Tap fees	187,859	230,109
Total capital contributions	303,763	1,785,178
Increase (decrease) in net position	990,236	2,257,544
Net position:		
Beginning of year, restated	13,097,708	10,840,164
End of year	$ 14,087,944	$ 13,097,708

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

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash receipts from customers	$ 4,870,173	$ 4,626,218
Cash payments to suppliers for goods and services	(2,312,836)	(2,384,164)
Cash payments to employees for services	(999,344)	(1,038,386)
Net cash provided by (used) in operating activities	1,557,993	1,203,668
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(559,591)	(4,479,391)
Proceeds from debt	352,660	4,614,258
Interest paid on long-term debt	(306,616)	(315,348)
Proceeds from sale of property	3,100	42,551
Additions to capital assets	(2,052,851)	(2,369,886)
Increase (decrease) in construction payable	748,471	(271,428)
Increase (decrease) in customer advances	222,977	17,285
Grant proceeds	140,569	1,767,700
Tap fees	187,859	230,109
Net cash provided by (used) in financing activities	(1,263,422)	(764,150)
Cash flows from investing activities:		
Interest income	8,093	55,002
Net cash provided by (used) in investing activities	8,093	55,002
Net increase (decrease) in cash and cash equivalents	302,664	494,520
Cash and cash equivalents, beginning of year	3,215,776	2,721,256
Cash and cash equivalents, end of year	$ 3,518,440	$ 3,215,776
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ 976,723	$ 741,664
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	703,412	607,015
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(33,724)	(4,974)
(Increase) decrease in prepaid assets	39,834	-
(Increase) decrease in inventory	80,381	(289,655)
Increase (decrease) in actuarial pension/OPEB	(65,466)	(61,513)
Increase (decrease) in accounts payable	(180,148)	181,534
Increase (decrease) in customer deposits	32,829	18,372
Increase (decrease) in accrued liabilities	4,152	11,225
Net cash provided (used) by operating activities	$ 1,557,993	$ 1,203,668

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

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.

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, 2025 or 2024. 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, 2025 and 2024 was $703,412 and $607,015 respectively.

The estimated useful lives of capital assets are as follows:

Transmission and Distribution	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.

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, 2025 and 2024 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, 2025 and 2024 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, 2025, the District had no qualifying leases to report.

Note 2 – Capital Assets

Capital asset activity for the years ended December 31, 2025 and 2024 was as follows:

2025	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being depreciated				
Land and rights	$ 331,066	$ -	$ -	$ 331,066
Construction in progress	-	1,125,895	-	1,125,895
Total Non-Depreciable Capital Assets	331,066	1,125,895	-	1,456,961
Capital Assets being depreciated				
Transmission and distribution lines	26,637,206	115,904	-	26,753,110
Meter installations	4,269,646	515,941	(70,450)	4,715,137
Services	706,053	295,111	-	1,001,164
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	2,086,126	-	-	2,086,126
Vehicles	458,297	-	-	458,297
Total Depreciable Capital Assets	36,329,952	926,956	(70,450)	37,186,458
Less: Accumulated depreciation	(11,320,892)	(703,412)	70,450	(11,953,854)
Total Net Capital Assets	$ 25,340,126			$ 26,689,565

2024	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being depreciated				
Land and rights	$ 331,066	$ -	$ -	$ 331,066
Construction in progress	4,266,339	1,829,381	(6,095,720)	-
Total Non-Depreciable Capital Assets	4,597,405	1,829,381	(6,095,720)	331,066
Capital Assets being depreciated				
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
Total Depreciable Capital Assets	30,232,730	6,636,225	(539,003)	36,329,952
Less: Accumulated depreciation	(11,222,003)	(607,015)	508,126	(11,320,892)
Total Net Capital Assets	$ 23,608,132			$ 25,340,126

Construction in progress at December 31, 2025 consisted of the Bourbon Water Storage Tank Replacement and Water Main Extension Project with a total budget of approximately $5 million. The project is expected to be completed in 2026.

Note 3 – Long-Term Debt

Long-term debt consists of the following bonds payable at December 31, 2025 and 2024:

	2025	2024
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.	$ 584,000	$ 607,000
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.	354,000	368,000
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.	675,500	695,500
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.	460,000	615,000
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.	1,137,500	1,166,500
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.	1,996,500	2,037,000
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.	4,394,000	4,472,000
Total Bonds Payable:	$ 9,601,500	$ 9,961,000

Note 3 – Long-Term Debt, Continued

Long-term debt consists of the following notes not yet finalized at December 31, 2025 and 2024:

	2025	2024
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 suceeding 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.	$ 928,826	$ 981,688
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 suceeding 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.	2,740,513	2,887,742
KIA B22-004 Loan issued through Kentucky Infrastructure Authority for Water System Improvements project not to exceed $5,055,000; interest of 1.00% due semi-annually suceeding date of initial draw of funds. A loan servicing fee of .10% 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 2026.	352,660	-
Total Notes Payable:	$ 4,021,999	$ 3,869,430

Principal and interest maturities of long-term debt are as follows:

	Principal	Interest	Total
2026	$ 565,947	$ 322,950	$ 888,897
2027	692,581	340,683	1,033,264
2028	478,435	271,294	749,729
2029	483,971	260,293	744,264
2030	495,089	248,819	743,908
2031-2035	2,647,912	1,061,338	3,709,250
2036-2040	2,669,040	744,632	3,413,672
2041-2045	1,604,024	472,908	2,076,932
2046-2050	1,323,000	327,565	1,650,565
2051-2055	1,199,000	194,121	1,393,121
2056-2060	868,000	87,319	955,319
2061-2064	596,500	21,030	617,530
	$ 13,623,499	$ 4,352,952	$ 17,976,451

Note 3 – Long-Term Debt, Concluded

Long-term debt activity for the years ended December 31, 2025 and 2024 was as follows:

Debt	Balance January 1, 2025	Additions	Debt Payments and Reductions	Balance December 31, 2025	Amount Due within One Year
RD 2002A	$ 607,000	$ -	$ (23,000)	$ 584,000	$ (23,000)
RD 2002B	368,000	-	(14,000)	354,000	(14,000)
RD 2010	695,500	-	(20,000)	675,500	(20,500)
KRWFC 2012E	615,000	-	(155,000)	460,000	(40,000)
RD 2013	1,166,500	-	(29,000)	1,137,500	(29,500)
KIA F16-003	2,887,742	-	(147,229)	2,740,513	(149,816)
RD 2018	2,037,000	-	(40,500)	1,996,500	(41,500)
KIA B20-004	981,688	-	(52,862)	928,826	(53,658)
RD 2023	4,472,000	-	(78,000)	4,394,000	(79,500)
KIA B22-004	-	352,660	-	352,660	(114,473)
	$ 13,830,430	$ 352,660	$ (559,591)	$ 13,623,499	$ (565,947)

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)
	$ 13,695,563	$ 4,614,258	$ (4,479,391)	$ 13,830,430	$ (559,591)

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, 2025 and does not expect to incur a liability.

Note 4 – Commitments

During 2025 the District finished Phase III of the Water Systems Improvement Project, utilizing the remaining USDA Rural Development grant funds of $115,904 for pressure reducing valve stations.

Note 5 – Subsequent Events

Management has evaluated subsequent events through May 28, 2026, 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 $3,518,440 and $3,215,776 for the years ending December 31, 2025 and 2024 respectively and the bank balances were $3,656,285 and $3,250,958. 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—Restatement

District net position as of January 1, 2024 was restated for correction of an error related to prepaid insurance. The net effect of the restatement was an increase to prepaid insurance and increase in net position.

	January 1, 2024
Net Position as originally stated	$ 10,800,330
Adjustment for prepaid insurance	39,834
Net Position as restated	$ 10,840,164

Note 7– Pension 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

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, 2023.

Required contributions by the employee are based on the tier:

	Required Contribution
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, 2025, 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	$	1,484,580

The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024, 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, 2024, the District's proportion was .024824%.

Note 7 – Pension Plan, Continued

For the year ended December 31, 2025, the District recognized pension expense of $185,429. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the total pension liability	$ 71,856	$ -
Net difference between projected and actual earnings on pension plan investments	101,957	197,408
Changes in assumptions	-	67,074
Changes in proportion and differences between employer contributions and proportionate share of contributions	81,740	-
District contributions subsequent to the measurement date	144,158	-
	$ 399,711	$ 264,482

The 2025 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, 2026. Other amounts reported as deferred outflows and inflows related to pensions will be amortized and recognized in pension expense as follows:

Year Ended	Net Deferred Outflows (Inflows)
12/31/2026	$ 49,035
12/31/2027	(36,692)
12/31/2028	(21,272)
12/31/2029	-
12/31/2030	-
	$ (8,929)

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:

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

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, 2024 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.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.0%	

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.

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	$1,913,867	$1,484,580	$1,128,386

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 18.62% for the year ended June 30, 2026 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 years ended June 30, 2026, 2025 and 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, 2025, the District's total covered payroll was approximately $752,000. The District contributed approximately $144,000 for pension OPEB benefits and employees contributed approximately $44,000 for pension and OPEB benefits.

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 received 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, 2023.

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.

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:

Dollar Contribution for Fiscal Year 2024 For Member participation date on or after July 1, 2003			Portion Paid by Insurance Fund As of June 30, 2024	
System		(in whole dollars)	Years of service	% Paid by Insurance Fund
KERS Non-hazardous	$	14.41	20+ years	100.00%
KERS Hazardous	$	21.62	15-19 years	75.00%
CERS Non-hazardous	$	14.41	10-14 years	50.00%
CERS Hazardous	$	21.62	4-9 years	25.00%
SPRS	$	21.62	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.

Note 8 – Other Postemployment Benefits (OPEB), Continued

At December 31, 2025, the District reported an asset of $42,982 for its proportionate share of the net OPEB liability/asset. The net OPEB liability was measured as of June 30, 2024, 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, 2024, the District's proportionate share was .024848%.

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense (income) of ($106,737) for the year ended December 31, 2025 and reported deferred inflows and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the OPEB liability	$ 23,846	$ 234,939
Net difference between projected and actual investment earnings on OPEB investments	37,782	77,006
Changes in assumptions and other inputs	38,947	30,328
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,583	-
District contributions subsequent to the measurement date of the OPEB liability	11,651	-
	$ 187,809	$ 342,273

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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

Year Ended	Net Deferred Outflows/(Inflows)
12/31/2026	$ (85,888)
12/31/2027	(79,295)
12/31/2028	(932)
12/31/2029	-
12/31/2030	-
Total	$ (166,115)

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, 2023. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2024 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, 2023:

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	

Discount Rate: The single discount rate of 5.99% for Non-hazardous employees was used to measure the total OPEB liability as of June 30, 2024. 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 3.97% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2024. 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:

	1% Decrease	Current Discount Rate	1% Increase
CERS-Discount Rate	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	$ 58,117	$ (42,982)	$ (127,986)

Note 8 – Other Postemployment Benefits (OPEB), Concluded

Healthcare Trend Rate: The initial trend rate for participants under 65 years of age starts at 6.2% at January 1, 2024 and gradually decreases to an ultimate trend rate of 4.05% over a period of 12 years. For those over 65 years of age the trend rate starts at 9% at January 1, 2024 and gradually decreases to an ultimate trend rate of 4.05% over a period of 12 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:

	1% Decrease	Healthcare Cost Current Trend Rate	1% Increase
Healthcare Cost Trent Rate	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	$ (103,410)	$ (42,982)	$ 27,412

Note 9 – Compensated Absences

Compensated absences for the District includes both vacation and compensatory time. Vacation time is based on the employee's length of employment with a maximum accrual of 160 hours. Compensatory time is only accrued for overtime worked by hourly employees in transmission and distribution with a maximum accrual of 240 hours. Upon termination, employees are paid for all unused accrued vacation and compensatory time.

	Balance December 31, 2024	Net Change	Balance December 31, 2025
Compensated Absences	$60,949	$1,043	$61,992

Note 10 – 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, 2025 the District reported deferred outflows related to the pension and OPEB liabilities in the amount of $587,520.

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 $606,755.

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 **

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's portion of the net pension liability	0.024824%	0.023375%	0.020481%	0.018996%	0.015383%	0.014255%	0.01351%	0.01441%	0.01207%	0.01152%
District's proportionate share of net pension liability	$ 1,484,580	$ 1,499,859	$ 1,480,574	$ 1,211,144	$ 1,179,863	$ 1,002,561	$ 822,557	$ 843,637	$ 594,353	$ 495,402
District's covered-employee payroll	$ 752,000	$ 784,000	$ 753,000	$ 591,000	$ 534,000	$ 440,000	$ 373,000	$ 337,000	$ 345,000	$ 340,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.42%	191.31%	196.62%	204.93%	220.95%	227.85%	220.52%	250.34%	172.28%	145.71%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 144,158	$ 169,021	$ 164,762	$ 127,197	$ 109,935	$ 85,044	$ 65,969	$ 52,091	$ 65,000	$ 62,000
Contributions in relation to the contractually required contribution	(144,158)	(169,021)	(164,762)	(127,197)	(109,935)	(85,044)	(65,969)	(52,091)	(65,000)	(62,000)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 752,000	$ 784,000	$ 753,000	$ 591,000	$ 534,000	$ 440,000	$ 373,000	$ 337,000	$ 345,000	$ 340,000
Contributions as a percentage of covered-employee payroll	19.17%	21.56%	21.88%	21.52%	20.59%	19.33%	17.69%	15.46%	18.84%	18.24%

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 **

	2025	2024	2023	2022	2021	2020	2019	2018
District's portion of the net OPEB liability	0.024848%	0.023374%	0.020477%	0.018992%	0.153790%	0.014251%	0.01351%	0.01441%
District's proportionate share of net OPEB liability	$ (42,982)	$ (32,272)	$ 404,116	$ 363,592	$ 371,356	$ 239,695	$ 363,592	$ 289,751
District's covered-employee payroll	$ 752,000	$ 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	-5.72%	-4.12%	53.67%	61.52%	69.54%	54.48%	97.48%	85.98%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	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 **

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ -	$ -	$ 23,869	$ 31,799	$ 27,484	$ 21,261	$ 19,016	$ 17,364
Contributions in relation to the contractually required contribution	-	-	(23,869)	(31,799)	(27,484)	(21,261)	(19,016)	(17,364)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 752,000	$ 784,000	$ 753,000	$ 591,000	$ 534,000	$ 440,000	$ 373,000	$ 337,000
Contributions as a percentage of covered-employee payroll	0.00%	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.

C·M·R
CAMPBELL, MYERS AND RUTLEDGE, PLLC

R. Brent Billingsley, CPA ▪ Jenna B. Glass, CPA ▪ Lane S. Norris, CPA ▪ Ryan A. Mosier, CPA

Jordan T. Constant, CPA ▪ Cindy L. Greer, CPA ▪ L. Joe Rutledge, 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, 2025, 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, 2026.

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 responses as item 2025-001 that we consider to be a material weakness.

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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 Rutledge, PLLC

Glasgow, Kentucky

May 28, 2026

2025-001 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 hired a new accounting firm in February 2026 and is working closely with them to ensure accurate financial reporting.