SANITATION DISTRICT NO. 4
OF BOYD COUNTY, KENTUCKY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sanitation District No. 4 of Boyd County, Kentucky
Ashland, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sanitation District No. 4 of Boyd County, Kentucky (the "District"), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter—Adoption of New Accounting Standard

As discussed in Note (11) to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*, which resulted in a decrease to net position as of June 30, 2023 of $61,701. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 7 and the Schedule of District's Proportionate Share of the Net Pension and OPEB Liability (Asset) and the Schedule of Pension and OPEB Contributions on pages 29 through 35 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sanitation District No. 4 of Boyd County, Kentucky's basic financial statements. The schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating expenses are 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 December 16, 2025, on our consideration of Sanitation District No. 4 of Boyd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC
Ashland, Kentucky
December 16, 2025

SANITATION DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

Our discussion and analysis of Sanitation District No. 4 of Boyd County, Kentucky's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025 and 2024. Please read it in conjunction with the accompanying basic financial statements. It is our intent that this discussion provides all parties interested in the District's financial condition, especially the users of the facilities, a better understanding of the District's operations and financial status.

The District reports its financial statements in a required model format issued by the Governmental Accounting Standards Board.

Financial Highlights

- As of June 30, 2025 and 2024, the District's assets and deferred outflows of $28,828,631 and $28,150,614, respectively, exceeded liabilities and deferred inflows of $19,740,670 and $20,156,826 by $9,087,961 and $7,993,788, respectively. As of June 30, 2025 and 2024, this excess includes the net investment in capital assets of $6,925,106 and $6,784,797, restricted resources of $1,910,378 and $1,501,720, which represent money set aside to satisfy loan covenants, and unrestricted resources available to continue District operations into the next fiscal year of $252,477 and $(292,729), respectively.

- Current assets (consisting primarily of unrestricted cash balances and accounts receivable) as of June 30, 2025 and 2024 were $2,763,462 and $1,863,260, respectively, and current liabilities payable from those funds were $2,011,285 and $1,607,560, respectively.

Overview of the Financial Statements

The District's basic financial statements include: (1) fund financial statements, and (2) notes to the financial statements. These financial statements present information about business-type activities, which consist principally of the fees the District charges its users to cover all or most of the cost of the services it provides.

Fund Financial Statements

The fund financial statements provide detailed information about the proprietary fund. When the District charges customers for the services it provides, these services are reported in the proprietary fund.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Net position for the period ending June 30, 2025 as compared to June 30, 2024

	June 30, 2025	As Restated June 30, 2024
Current Assets	$ 2,763,462	$ 1,863,260
Noncurrent Assets	25,582,889	25,861,012
Total Assets	28,346,351	27,724,272
Deferred Outflows	482,280	426,342
Current Liabilities	2,011,285	1,607,560
Noncurrent Liabilities	17,212,873	17,971,228
Total Liabilities	19,224,158	19,578,788

Deferred Inflows	516,512	578,038
Net position		
Net investment in capital assets	6,925,106	6,784,797
Restricted	1,910,378	1,501,720
Unrestricted	252,477	(292,729)
Total Net position	$ 9,087,961	$ 7,993,788

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2025 and 2024, respectively.

	2025 Amount	2024 Amount
Revenues:		
Services	$ 7,372,370	$ 6,096,379
Miscellaneous income	2,847	667
Grant income	211,580	25,750
Recoupment of previously written off construction deposit	-	116,695
Gain (loss) on disposal of capital assets	74,793	-
Interest income	153,780	119,966
Total revenues	7,815,370	6,359,457
Expenses:		
Treatment expenses	5,162,687	4,125,229
Administration expenses	373,356	453,856
Depreciation	637,118	607,007
Amortization	9,210	9,210
Interest expense	550,198	573,336
Total expenses	6,732,569	5,768,638
Income before capital contributions	1,082,801	590,819
Capital contributions	11,372	9,208
Revenue over (under) expenses	$ 1,094,173	$ 600,027

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District as a whole and about its activities in a way that helps answer this question.

Our discussion begins with an analysis of overall revenues and expenses and their treatment. An overwhelming majority of the District's revenue is received from charges for services.

For the year ended June 30, 2025, the Districts operating revenues increased from a year ago by $1,278,171 (20.96%) while operating expenses of all programs and services including depreciation increased by $987,069 (19.00%). Overall, net operating income was $1,192,846 for the fiscal year 2025 compared to $901,744 in fiscal year 2024.

Treatment expenses were $5,162,687 for the year ended June 30, 2025 compared to $4,125,229 for the year ended June 30, 2024.

Financial Analysis of the District's Proprietary Fund

At June 30, 2025 and 2024, the District's proprietary fund reported total net position of $9,087,961 and $7,993,788; an increase of $1,094,173 or 13.69%.

Capital Assets

The District made several capital asset purchases with a total cost of $389,676. These items were purchased by the general fund with their prior cash balance as well as with the KIA grant.

At June 30, 2025 and 2024, the District had $21,633,869 and $22,306,518 in capital assets, net of depreciation, respectively.

Debt

At June 30, 2025 and 2024, the District had bonds and notes payable to Kentucky Rural Water Finance Corporation and Kentucky Bond Corporation with remaining balances of $16,708,763 and $17,521,721 (net of discounts and premiums), respectively.

Economic Factors and Next Year's Rates

In considering the District's budget for year 2026, the District expects no significant changes, except for the additional customers related to the line expansion. In addition, rates will be reevaluated due to increased costs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's superintendent, at Sanitation District No. 4 of Boyd County, Kentucky, 239 W. Little Garner Road, Ashland, KY, 41102, telephone number (606) 928-3936.

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
STATEMENTS OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2025 AND 2024

	2025	(As Restated) 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 865,513	$ 559,622
Accounts receivable (Net of allowance for bad debt of $190,551 and $190,551, respectively)	1,654,565	1,297,789
Grant receivable	237,330	-
Other assets	6,054	5,849
Total current assets	2,763,462	1,863,260
Noncurrent assets:		
Grant receivable	-	25,750
Net OPEB asset	38,642	27,024
Restricted cash and cash equivalents	3,910,378	3,501,720
Capital assets, net of accumulated depreciation	21,633,869	22,306,518
Total noncurrent assets	25,582,889	25,861,012
Total assets	28,346,351	27,724,272
Deferred Outflows of Resources		
Deferred outflows - OPEB related	118,480	116,438
Deferred outflows - pension related	363,800	309,904
Total deferred outflows of resources	482,280	426,342
Total assets and deferred outflows	$ 28,828,631	$ 28,150,614
Liabilities		
Current liabilities:		
Accounts payable	$ 949,094	$ 563,772
Accrued payroll liabilities	7,886	6,967
Accrued interest payable	159,441	165,777
Accrued compensated absences	48,614	45,994
Accrued other payroll payable	-	2,883
Bonds payable - current	846,250	822,167
Total current liabilities	2,011,285	1,607,560
Noncurrent liabilities:		
Bonds payable, net of current portion, less - bond issuance discounts, plus - bond issuance premiums	15,862,513	16,699,554
Accrued compensated absences, net of current portion	15,709	15,707
Net pension liability	1,334,651	1,255,967
Total noncurrent liabilities	17,212,873	17,971,228
Total liabilities	19,224,158	19,578,788
Deferred Inflows of Resources		
Deferred inflows OPEB related	370,402	433,882
Deferred inflows pension related	146,110	144,156
Total deferred inflows of resources	516,512	578,038
Net Position		
Net investment in capital assets	6,925,106	6,784,797
Restricted	1,910,378	1,501,720
Unrestricted	252,477	(292,729)
Total net position	9,087,961	7,993,788
Total liabilities, deferred inflows and net position	$ 28,828,631	$ 28,150,614

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

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Operating revenues:		
Services	$ 7,372,370	$ 6,096,379
Miscellaneous income	2,847	667
Total operating revenues	7,375,217	6,097,046
Operating expenses:		
Treatment expenses	5,162,687	4,125,229
Administrative expenses	373,356	453,856
Depreciation	637,118	607,007
Amortization	9,210	9,210
Total operating expenses	6,182,371	5,195,302
Operating income	1,192,846	901,744
Nonoperating revenues (expenses):		
Interest income	153,780	119,966
Interest expense	(550,198)	(573,336)
Recoupment of previously written-off construction deposit	-	116,695
Gain (loss) on disposal of capital asset	74,793	-
Grant income	211,580	25,750
Total nonoperating revenue (expense)	(110,045)	(310,925)
Income before capital contributions	1,082,801	590,819
Tap fees	11,372	9,208
Change in net position	1,094,173	600,027
Net position, Beginning of the year, as restated	7,993,788	7,393,761
Net position, End of year	$ 9,087,961	$ 7,993,788

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

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Receipts from customers	$ 7,018,441	$ 5,906,251
Payments to supplies	(4,362,623)	(3,732,888)
Payments to employees	(838,043)	(792,438)
Net cash provided by (used for) operating activities	1,817,775	1,380,925
Cash flows from noncapital financing activities:		
Grant income	-	-
Net cash provided by (used for) noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Principal paid on long term debt	(822,168)	(797,750)
Interest paid on long term debt	(556,534)	(579,553)
Capital contributions	11,372	9,208
Proceeds from sale of capital assets	500,000	-
Recoupment of previously written off construction deposit	-	116,695
Purchases of capital assets	(389,676)	(1,093,979)
Net cash provided by (used for) capital and related financing activities	(1,257,006)	(2,345,379)
Cash flows from investing activities:		
Interest income	153,780	119,966
Net cash provided by (used for) investing activities	153,780	119,966
Net increase (decrease) in cash and cash equivalents	714,549	(844,488)
Cash and cash equivalents, Beginning of the year	4,061,342	4,905,830
Cash and cash equivalents, End of year	$ 4,775,891	$ 4,061,342
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	$ 1,192,846	$ 901,744
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	637,118	607,007
Amortization	9,210	9,210
Net OPEB adjustment	(11,706)	(337,242)
Net pension adjustment	(38,692)	273,217
Change in assets and liabilities:		
Accounts receivable	(356,776)	(190,795)
Other assets	(205)	(4,233)
Accounts payable	385,322	120,602
Accrued payroll liabilities	658	1,415
Total adjustments	624,929	479,181
Net cash provided by (used for) operating activities	$ 1,817,775	$ 1,380,925
Reconciliation of cash:		
Cash and cash equivalents	$ 865,513	$ 559,622
Restricted cash and cash equivalents	3,910,378	3,501,720
Cash and cash equivalents, End of year	$ 4,775,891	$ 4,061,342

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

SANITATION DISTRICT NO. 4
OF BOYD COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

The financial statements of the Sanitation District No. 4 of Boyd County, Kentucky ("the District") have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanitation District No. 4 of Boyd County, Kentucky is a Sanitation District created and existing pursuant to the provisions of Section 220.010 through 220.54 of the Kentucky Revised Statutes.

The District was created by ordinance of the Boyd County Fiscal Court on December 30, 1978, duly certified and recorded as provided in KRS 220.110. The purpose of the District is to provide sanitation sewer services to a portion of Boyd County, Kentucky.

The District is governed by a Board of Directors consisting of three members, who are appointed by the County Judge of Boyd County, Kentucky. The Board of Directors is a corporate body, having the right, power and duty to make provision for "the collection and disposal of sewage and other liquid wastes produced within the District and to establish rates or charges and make reasonable regulations with regard to such service." It is authorized to finance its proper undertakings through the issuance of "Sanitation District (Revenue) Bonds."

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

Reporting Entity

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

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

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

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for account balances deemed not collectible, and the time period used to depreciate the capital assets. Actual results could differ from estimated amounts.

Advertising Expense

Advertising expense for the years ended June 30, 2025 and 2024 was $2,977 and $2,054, respectively.

Assets, Liabilities, and Net Position

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

Accounts Receivable. Accounts receivable consists of billings of $1,845,116 and $1,488,340 to the residents of Boyd County, Kentucky and the Federal Correctional Institution of Ashland, Kentucky, which were not collated as of June 30, 2025 and 2024, respectively. An allowance for doubtful accounts is used on the indirect write off method and monitored for non-pay customers. The balance for doubtful accounts for June 30, 2025 and 2024 was $190,551 and $190,551, respectively.

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

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

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

Buildings and property	10-60 years
Furniture, fixtures and equipment	3-10 years

Depreciation expense for the years ended June 30, 2025 and 2024 was $637,118 and $607,007, respectively.

Capital additions, improvements and major renewals are capitalized, whereas maintenance, repairs and minor renewals are charged to expenses when they are incurred. In the case of disposals, the assets and related reserves are removed from the accounts, and the net amount, less any proceeds from disposals, is charged or credited to revenues.

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

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

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred. Bond issuance costs were $-0- and $-0- for the years ended June 30, 2025 and 2024, respectively.

Long-Term Liabilities

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net position. Initial issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

Interest Expense

Interest expense incurred during the construction of financed projects is capitalized during the construction period. Interest expense was $550,198 and $573,336 for the years ended June 30, 2025 and 2024, respectively.

Encumbrances

The District does not use a system of encumbrances in their accounting and reporting methods.

Capital Grants/Contributions

Grants that are restricted to the purchase of property, plant and equipment are recorded as other income, per GASB 33. The District recorded capital grants of $211,580 and $25,750 for the years ended June 30, 2025 and 2024, respectively.

Tap fees are also recorded as capital contribution income, per GASB 33. These fees represent the increased value in property, plant and equipment resulting from the addition of customers to the utility distribution system. The total amount of tap fees was $11,372 and $9,208 for the years ended June 30, 2025 and 2024, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net 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 that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the Statements of Net 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 that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Accrued Compensated Absences

Under GASB Statement No. 101, *Compensated Absences*, the District has two forms of accrued compensated absences 1) vacation time and 2) sick time.

Under the District's policy, all accrued vacation time is to be used by the end of the calendar year with no amount being carried over. Upon termination of employment, employees will be paid for one-half of unused vacation time that has been earned through the last day of employment. The District estimates that all accrued vacation time will be utilized.

Under the District's policy, accrued sick time can accumulate up to a total of 182 days. Upon termination of employment, employees will not be paid for any unused sick time. Based on historical usage patterns, the District estimates that employees will use between 10% and 85% of their sick time, depending on the employee

In accordance with GASB Statement No. 101, *Compensated Absences*, accrued compensated absences are accrued as a liability when earned, accumulate from year to year, and are more likely than not to be used or paid. The liability is measured using the employee's current pay rate at the financial statement date and includes applicable salary-related payments for the District's share of both Social Security (6.2%) and Medicare (1.45%).

Reclassifications

Certain reclassifications have been made to the June 30, 2024 financial statements to conform with the June 30, 2025 financial statements.

Recent Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District adopted GASB 101 in the current fiscal year. As a result of this adoption, net position as of

June 30, 2023 was decreased by $61,701 to recognize additional compensated absences liabilities in accordance with the new standard.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), which aims to enhance the transparency of financial reporting by requiring disclosures about risks that state and local governments face due to certain concentrations or constraints. A concentration is defined as a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by an external party or by the government's highest level of decision-making authority. Governments must disclose information about these risks if they are vulnerable to a substantial impact from them. The disclosures should include the nature of the concentration or constraint, any associated events that could cause a substantial impact, and actions taken to mitigate the risk. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. Adoption of this statement did not have a material impact on the financial statements.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103") with the objective to enhance the effectiveness of the financial reporting model for decision-making and assessing government accountability. The improvements target the following established accounting and financial reporting requirements:

- Management's discussion and analysis;
- Unusual or infrequent items (previously known as extraordinary and special items);
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- Major component unit information; and
- Budgetary comparison information.

The effective date for GASB 103 is for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which enhances financial reporting transparency by requiring separate note disclosures for certain types of capital assets, including a) Lease assets under GASB Statement No. 87, b) Subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96, c) Intangible right-to-use assets under GASB Statement No. 94, d) Other intangible assets not otherwise separately reported, and e) Capital assets held for sale. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(2) CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's funds on deposit with the banks may not be returned to the District.

At June 30, 2025, the carrying amount of the District's deposits was $4,775,891 and the bank balances totaled $4,815,672. The bank balances are categorized as follows:

Amount insured by the FDIC	$ 787,149
Amount collateralized with securities held by the bank in the District's name	4,028,523
Uncollateralized	-
Total	$ 4,815,672

(3) RESTRICTED ASSETS AND RESERVE NET ASSETS

The District has a portion of its net assets restricted in connection with assets restricted in use, bond interest and redemption. Restricted net assets includes the excess of restricted cash over liabilities payable from restricted cash.

As of June 30, 2025 and 2024, restricted cash was as follows:

	2025	2024
Reserve Fund	$ 178,115	$ 170,551
Depreciation Reserve	739,192	396,773
Funds for Construction	2,260,264	2,139,265
Bond and Interest	732,807	795,131
	$ 3,910,378	$ 3,501,720

(4) CAPITAL ASSETS

Changes in Capital Assets. The following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2025 and 2024:

June 30, 2025	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Non-depreciable:				
Land	$ 520,836	$ -	$ (425,207)	$ 95,629
Construction in progress	372,239	211,580	(346,489)	237,330
Depreciable:				
Lines and extensions	7,582,394	-	-	7,582,394
2015A BCFC sewer lines	8,076,931	-	-	8,076,931
2022A BCFC sewer lines	5,297,722	-	-	5,297,722
Route 5 Expansion	4,997,812	-	-	4,997,812
Equipment	880,864	62,355	-	943,219
Vehicles	567,689	-	-	567,689
Maintenance building	515,699	461,710	-	977,409
Office building	429,929	520	-	430,449
	29,242,115	736,165	(771,696)	29,206,584
Accumulated depreciation:				
Lines and extensions	3,414,644	137,914	-	3,552,558
2015A BCFC sewer lines	1,453,851	161,539	-	1,615,390
2022A BCFC sewer lines	238,397	105,954	-	344,351
Route 5 Expansion	374,835	99,956	-	474,791
Equipment	734,663	47,822	-	782,485
Vehicles	386,701	46,477	-	433,178
Maintenance building	1,171	27,749	-	28,920
Office building	331,335	9,707	-	341,042
	6,935,597	637,118	-	7,572,715
	$ 22,306,518	$ 99,047	$ (771,696)	$ 21,633,869

June 30, 2024	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Non-depreciable:				
Land	$ 455,924	$ 64,912	$ -	$ 520,836
Construction in progress	-	372,239	-	372,239
Depreciable:				
Lines and extensions	7,582,394	-	-	7,582,394
2015A BCFC sewer lines	8,076,931	-	-	8,076,931
2022A BCFC sewer lines	5,297,722	-	-	5,297,722
Route 5 Expansion	4,997,812	-	-	4,997,812
Equipment	807,475	73,389	-	880,864
Vehicles	499,949	67,740	-	567,689
Maintenance building	-	515,699	-	515,699
Office building	429,929	-	-	429,929
	28,148,136	1,093,979	-	29,242,115

Accumulated depreciation:				
Lines and extensions	3,275,260	139,384	-	3,414,644
2015A BCFC sewer lines	1,292,312	161,539	-	1,453,851
2022A BCFC sewer lines	132,443	105,954	-	238,397
Route 5 Expansion	274,879	99,956	-	374,835
Equipment	691,814	42,849	-	734,663
Vehicles	340,224	46,477	-	386,701
Maintenance building	-	1,171	-	1,171
Office building	321,658	9,677	-	331,335
	6,328,590	607,007	-	6,935,597
	$ 21,819,546	$ 486,972	$ -	$ 22,306,518

During the year ended June 30, 2025, the District sold the Roberts Drive property for $500,000 resulting in a gain of $74,793.

During the year ended June 30 2024, the District received $116,695 from the recoupment of construction deposit related to a modular building that was previously written off.

As of June 30, 2025, the District has an outstanding construction commitment in the amount of roughly $704,000 for the Camp Landing Pump Station Rehab Project.

(5) LONG-TERM DEBT

Revenue bonds and notes payable consist of the following at June 30, 2025 and 2024:

	2025	2024
$8,715,000 bonds payable in variable annual installments through January 1, 2038, with an interest rate from 2.00% to 3.75%.	$ 5,534,583	$ 5,913,750
$1,225,000 bonds payable in variable annual installments through February 1, 2033, with a fixed interest rate of 2.00%.	905,000	1,010,000
$7,665,000 bonds payable in variable annual installments through February 1, 2043, with an interest rate from 3.00% to 3.50%.	6,965,000	7,245,000
$3,730,000 bonds payable in variable annual installments through January 1, 2058, with an interest rate of 1.875%.	3,457,000	3,515,000
	16,861,583	17,683,750
Less portion classified as current liability	(846,250)	(822,167)
Less discount and premiums on bonds, net	(152,820)	(162,029)
	$ 15,862,513	$ 16,699,554

June 30, 2025	Beginning Balance	Additional Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Bonds payable	$ 17,683,750	$ -	$ (822,168)	$ 16,861,582	$ 846,250
Plus: Premiums on bonds	20,751	-	(2,417)	18,334	-
Less: Discounts on bonds	(182,780)	-	11,627	(171,153)	-
Total long-term liabilities	$ 17,521,721	$ -	$ (812,958)	$ 16,708,763	$ 846,250

June 30, 2024	Beginning Balance	Additional Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Bonds payable	$ 18,481,500	$ -	$ (797,750)	$ 17,683,750	$ 822,167
Plus: Premiums on bonds	23,168	-	(2,417)	20,751	-
Less: Discounts on bonds	(194,407)	-	11,627	(182,780)	-
Total long-term liabilities	$ 18,310,261	$ -	$ (788,540)	$ 17,521,721	$ 822,167

The annual requirements to amortize the District's bond indebtedness as of June 30, 2025 (including interest payments) are as follows:

Fiscal Year	Principal	Interest	Servicing Fees	Total
2026	$ 846,250	$ 495,595	$ 35,462	$ 1,377,307
2027	876,167	471,932	33,496	1,381,595
2028	902,333	447,230	31,461	1,381,024
2028	935,167	421,458	29,365	1,385,990
2030	959,250	394,524	27,193	1,380,967
2031 - 2035	5,005,915	1,528,592	100,604	6,635,111
2036 - 2040	3,541,000	779,857	43,332	4,364,189
2041 - 2045	1,992,000	305,155	9,713	2,306,868
2046 - 2050	607,500	147,019	-	754,519
2051 - 2055	712,500	86,250	-	798,750
2056 - 2058	483,500	18,300	-	501,800
	$ 16,861,582	$ 5,095,912	$ 310,626	$ 22,268,120

The 2015A and 2022A bond issues were sold at discounts of $166,735 and $91,135, respectively. The 2021E bond issuance was sold at a premium of $27,197. These amounts are being amortized over the life of the bonds.

Bond and Interest Sinking Fund - The Governmental Agency is obligated upon the issuance of the obligations to provide for debt service requirements of the obligations.

If the Governmental Agency, for any reason, shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal and interest due on the outstanding bonds, as same fall due, such excess may be used for redemption of prepayment of any outstanding bonds, subject to the terms and conditions set forth therein, prior to maturity.

The 2015A bond issuance set up a Sinking Fund that was fully funded at the time of issuance. As of June 30, 2025 and 2024 the Sinking Fund related 2015A bond issuance has total funds in the amount of $128,106 and

$122,665, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

The 2019 bond issuance provides that monthly payments be made into this account that are equal to one-twelfth (1/12) of the next debt service requirement. As of June 30, 2025 and 2024 the Sinking Fund related to the Route 5 Expansion has total funds in the amount of $249,275 and $332,624, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

The 2021E bond issuance provides that monthly payments be made into this account that are equal to one-twelfth (1/12) of the next debt service requirement. As of June 30, 2025 and 2024 the Sinking Fund related to the 2021E issuance has total funds in the amount of $60,805 and $58642, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

The 2022A bond issuance provides that monthly payments be made into this account that are equal to one-twelfth (1/12) of the next debt service requirement. As of June 30, 2025 and 2024 the Sinking Fund related to the 2022A issuance has total funds in the amount of $249,478 and $237,974, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

Revenue Fund - The Governmental Agency covenants and agrees that it will deposit in the Revenue Fund, promptly as received from time to time, all revenues of the District. The moneys in the Revenue Fund shall be used, disbursed and applied by the Governmental Agency only for the purpose in the manner and order of priorities specified in Assistance Agreement, all as permitted by the Act, and in accordance with previous contractual commitments.

Operation and Maintenance Fund - Sums sufficient to meet current expenses of operating and maintaining the system shall be transferred monthly from the Reserve Fund and deposited into the Operation and Maintenance Fund. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month pursuant to the Governmental Agency's annual budget.

Surplus Funds - Subject to the provisions for the disposition of the income and revenues of the System as set forth herein above, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date to the Sinking Fund to be applied to the maximum extent feasible to the prompt purchase or redemption of Outstanding Bonds.

Depreciation Reserve - The District has temporarily suspended the designated payment for $22,000 a month to be placed in the depreciation reserve account to be used for major repairs and maintenance of the sewer system. During the year ending June 30, 2025, the District deposited $500,000 into the account and withdrew $160,000 from the account for repairs. This account is restricted by the Board of Directors to offset for depreciation expense of the system itself. The balance of the depreciation reserve at June 30, 2025 and 2024 was $739,192 and $396,773, respectively.

Debt Service Reserve Fund - The 2021E bond issuance provides that debt service reserve fund be established. As of June 30, 2025 and 2024, the debt service reserve fund related to the 2021E issuance has total funds in the amount of $50,009 and $47,886, respectively.

The 2022A bond issuance provides that debt service reserve fund be established. As of June 30, 2025 and 2024, the debt service reserve fund related to the 2022A issuance has total funds in the amount of $173,249 and $165,891, respectively.

(6) CONCENTRATIONS OF CREDIT

The District's revenues are generated from services extended to residents and customers in Boyd County, Kentucky. The billings to the Federal Correction Institution in Boyd County, Kentucky account for a total of 36.4% of total revenues for the year ended June 30, 2025. Management believes the nature of the contracts with all customers is adequate to minimize credit risk.

(7) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District provides for risk financing by purchasing coverage from commercial insurance companies. Commercial coverage with respect to workers' compensation is provided under a retrospectively rated contract in which the initial premium is adjusted based upon the actual experience during the period of coverage.

(8) RETIREMENT PLANS

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2025, employers were required to contribute 19.71% (19.71% - pension, 0.00% - insurance) of the member's salary. For the year ending June 30, 2024, employers were required to contribute 23.34% (23.34% - pension, 0.00% - insurance) of the member's salary. During the year ending June 30, 2025 and 2024, the District contributed $152,348 and $163,524 to the CERS pension plan, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024 and 2023, the District's proportion was 0.022317% and 0.019574%, respectively.

For the year ended June 30, 2025, the District recognized pension expense of $179,090. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 64,600	$ -
Changes of assumptions	-	60,300

Net difference between projected and actual earnings on investments	-	85,810
Changes in proportion and differences between District contributions and proportionate share of contributions	146,852	-
District contributions subsequent to the measurement date	152,348	-
	$ 363,800	$ 146,110

The $152,348 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	
2026	$ 49,985
2027	67,466
2028	(32,987)
2029	(19,122)
	$ 65,342

For the year ended June 30, 2024, the District recognized pension expense of $147,015. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 65,019	$ 3,413
Changes of assumptions	-	115,110
Net difference between projected and actual earnings on investments	-	17,132
Changes in proportion and differences between District contributions and proportionate share of contributions	81,361	8,501
District contributions subsequent to the measurement date	163,524	-
	$ 309,904	$ 144,156

The $163,524 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	
2025	$ (2,657)
2026	(10,999)
2027	28,038
2028	(12,158)
	$ 2,224

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Payroll growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was 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.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%

Discount Rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50% - 2025 and 6.50% - 2024, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50% - 2025 and 5.50% - 2024) or 1-percentage-point higher (7.50% - 2025 and 7.50% - 2024) than the current rate:

2025	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	$ 1,720,583	$ 1,334,651	$ 1,014,429

2024	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	$ 1,585,735	$ 1,255,967	$ 981,918

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the pension plan: At June 30, 2025 and 2024, there was a total payable to the CERS pension plan of $11,627 and $11,885, respectively.

(9) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2025, CERS allocated 0.00% of the 19.71% actuarially required contribution rate paid by employers for funding the healthcare benefit. For the year ending June 30, 2024, CERS allocated 0.00% of the 23.34% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2025 and 2024, the District contributed $-0- and $-0-, respectively, to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability (asset).

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2025, the District reported a liability (asset) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2023. An expected total OPEB liability as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024 and 2023, the District's proportion was 0.022339% and 0.019573%, respectively.

For the year ended June 30, 2025, the District recognized OPEB expense of $(66,632), including an implicit subsidy of $10,475. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,438	$ 304,037
Changes of assumptions	35,014	27,266
Net difference between projected and actual earnings on investments	-	35,263
Changes in proportion and differences between District contributions and proportionate share of contributions	62,028	3,836
District contributions subsequent to the measurement date	-	-
	$ 118,480	$ 370,402

Of the total amount reported as deferred outflows of resources related to OPEB, $-0- resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability (asset) in the year ended June 30, 2026.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

Year	
2026	$ (103,525)
2027	(81,575)
2028	(69,132)
2029	2,310
Thereafter	-
	$ (251,922)

For the year ended June 30, 2024, the District recognized OPEB expense of $(38,689), including an implicit subsidy of $8,827. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,840	$ 383,711
Changes of assumptions	53,181	37,062
Net difference between projected and actual earnings on investments	-	6,272
Changes in proportion and differences between District contributions and proportionate share of contributions	44,417	6,837
District contributions subsequent to the measurement date	-	-
	$ 116,438	$ 433,882

Of the total amount reported as deferred outflows of resources related to OPEB, $-0- resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability (asset) in the year ended June 30, 2025.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

Year	
2025	$ (73,795)
2026	(97,168)
2027	(78,732)
2028	(67,749)
Thereafter	-
	$ (317,444)

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.10% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.

Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	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.
Post-retirement (disabled)	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 2010.

Assumption Changes - The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the year ended June 30, 2023 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%

Discount rate - The discount rate used to measure the total OPEB liability was 5.99%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected 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 plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.99% - 2025 and 5.93% - 2024, as well as what the

District's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99% - 2024 and 4.93% - 2024) or 1-percentage-point higher (6.99% - 2025 and 6.93% - 2024) than the current rate:

2025	1% Decrease (4.99%)	Current discount rate (5.99%)	1% Increase (6.99%)
District's proportionate share of the net OPEB liability (asset)	$ 52,248	$ (38,642)	$ (115,063)

2024	1% Decrease (4.93%)	Current discount rate (5.93%)	1% Increase (6.93%)
District's proportionate share of the net OPEB liability (asset)	$ 50,713	$ (27,024)	$ (92,119)

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

2025	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	$ (92,968)	$ (38,642)	$ 24,644

2024	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability (asset)	$ (86,616)	$ (27,024)	$ 46,180

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the OPEB plan: At June 30, 2025 and 2024, there was a total payable to the CERS OPEB plan of $-0- and $-0-, respectively.

(10) KENTUCKY INFRASTRUCTURE AUTHORITY

On November 21, 2022, the District was awarded a Kentucky Infrastructure Authority grant in the amount of $856,000 to put in a new pump station at Camp Landing Pump Station Rehab Project. As of June 30, 2025, the project is still in process. During the year ended June 30, 2024 the District spent $25,750 on engineering costs. During the year ended June 30, 2025 the District spent $211,580 on the project. A grant receivable has been recorded for $237,330 and $25,750 for the years ending June 30, 2025 and 2024 respectively. The remaining portion of the grant funds have not been spent as of June 30, 2025.

(11) RESTATEMENT OF NET POSITION

The June 30, 2023 net position of the District has been restated as follows:

During the fiscal year, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The adoption of this new accounting principle required a change in the method of recognizing liabilities for compensated absences. As a result, the beginning net position was decreased by $61,701.

The cumulative effect of these adjustments is as follows:

June 30, 2023 Net Position, as previously reported	$ 7,455,462
Implementation of GASB 101	(61,701)
June 30, 2023 Net Position, as restated	7,393,761
June 30, 2024 Change in Net Position	600,027
June 30, 2024 Net Position, as restated	$ 7,993,788

(12) SUBSEQUENT EVENTS

On October 18, 2024, the District entered into a line of credit with Kentucky Farmers Bank in the amount of $500,000. The line of credit matures on October 18, 2025 with an interest rate tied to the Wall Street Journal Prime rate.

REQUIRED SUPPLEMENTARY INFORMATION

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
District's proportion of the net pension liability	0.022317%	0.019574%	0.017820%	0.018262%	0.016519%	0.016648%	0.015457%	0.015670%	0.015270%	0.016140%
District's proportionate share of the net pension liability	$ 1,334,651	$ 1,255,967	$ 1,288,210	$ 1,164,346	$ 1,266,994	$ 1,170,861	$ 941,378	$ 917,155	$ 751,596	$ 693,823
District's covered payroll	$ 700,617	$ 568,175	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498	$ 254,215	$ 272,666
District's proportionate share of the net pension liability as a percentage of its covered payroll	190.497%	221.053%	261.428%	253.948%	299.427%	278.821%	245.726%	240.409%	295.654%	254.459%
Plan fiduciary net position as a percentage of the total pension liability	61.610%	57.480%	52.420%	57.330%	47.810%	50.450%	53.540%	53.300%	55.500%	59.970%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
District's proportion of the net OPEB liability/asset	0.022339%	0.019573%	0.017817%	0.018258%	0.016515%	0.016644%	0.015456%	0.015670%		
District's proportionate share of the net OPEB liability (asset)	$ (38,642)	$ (27,024)	$ 351,621	$ 349,540	$ 398,787	$ 279,945	$ 274,418	$ 315,000		
District's covered payroll	$ 700,617	$ 568,175	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498		
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.515%	-4.756%	71.358%	76.236%	94.245%	66.664%	71.631%	82.569%		
Plan fiduciary net position as a percentage of the total OPEB liability	104.890%	104.230%	60.950%	62.910%	51.670%	60.440%	57.620%	53.300%		

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
Contractually required contribution	$ 152,348	$ 163,524	$ 132,953	$ 104,317	$ 88,490	$ 81,666	$ 68,113	$ 55,473	$ 53,219	$ 31,573
Contributions in relation to the contractually required contribution	152,348	163,524	132,953	104,317	88,490	81,666	68,113	55,473	53,219	31,573
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 772,948	$ 700,617	$ 568,175	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498	$ 254,215
District's contributions as a percentage of its covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
Contractually required contribution	$ -	$ -	$ 19,261	$ 28,481	$ 21,824	$ 20,142	$ 22,088	$ 18,006	$ 18,045	
Contributions in relation to the contractually required contribution	-	-	19,261	28,481	21,824	20,142	22,088	18,006	18,045	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
District's covered payroll	$ 772,948	$ 700,617	$ 568,175	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498	
District's contributions as a percentage of its covered payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%	

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

(1) CHANGES OF ASSUMPTIONS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total pension liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2024:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2025

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

For the June 30, 2022 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

For the valuation performed as of June 30, 2024, the discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2024:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SUPPLEMENTAL INFORMATION

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Treatment expenses:		
Treatment	$ 3,105,694	$ 2,239,043
Wages	787,645	728,413
Chemicals	324,960	312,048
Employee benefits	321,030	327,017
Utilities	212,864	172,790
Repairs	131,859	57,036
Surcharges	114,477	115,662
Payroll taxes	45,515	43,866
Fuel	20,756	24,876
Miscellaneous	21,292	4,380
Billing services	46,177	33,583
Equipment Rental	5,748	5,613
Laboratory costs	20,590	17,271
Contract labor	4,080	43,631
Total treatment expenses	$ 5,162,687	$ 4,125,229
Administration expenses:		
Bad debt expense	$ 40,614	$ 64,740
Administration fees	10,936	26,723
Insurance	67,698	65,261
Legal and professional	133,188	198,913
Office supplies	34,109	20,915
Postage and delivery	25,050	28,173
Directors fees	16,200	16,200
Bank charges	3,039	1,204
License and permits	2,075	1,124
Miscellaneous	18,093	8,711
Dues and subscriptions	8,284	6,231
Training expense	4,381	4,102
Meals and entertainment	3,801	6,594
Bond expense	2,911	2,911
Advertising	2,977	2,054
Total administrative expenses	$ 373,356	$ 453,856

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL.

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

Board of Directors
Sanitation District No. 4
of Boyd County, Kentucky
Ashland, 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 Sanitation District No. 4 of Boyd County, Kentucky (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness (see 2025-001).

Report on Compliance and Other Matters

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

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
December 16, 2025

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2025

(A) SUMMARY OF AUDIT RESULTS

- The auditor's report expresses an unmodified opinion on the financial statements of the Sanitation District No. 4 of Boyd County, Kentucky.

- A material weakness relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

- No instances of noncompliance material to the financial statements of Sanitation District No. 4 of Boyd County, Kentucky were disclosed during the audit.

(B) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

<u>SEGREGATION OF DUTIES (Finding 2025-001)</u>

Condition: Due to the limited number of employees, an adequate segregation of duties has not been established. Specifically, one individual has duties relating to cash receipts, cash disbursements, payroll, and all other accounting and recording activities.

Criteria: Effective internal controls would dictate that many of these functions be separated and the board oversee all cash accounts in order to adequately protect the District's assets.

Effect: An improper segregation of duties can subject the District to intentional or unintentional losses due to errors or irregularities.

Recommendation: The District should continue to review the internal control structure and segregate duties wherever possible. Additionally, the activity in all cash accounts should be reviewed by the board.

Management's Response and Corrective Action: Management and the Board of Directors will remain aware of the integrity of the employees and provide appropriate supervision.