

**EAST CASEY COUNTY WATER DISTRICT**  
**Liberty, Kentucky**

---

**FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

## CONTENTS

Independent Auditors' Report.....	1-3
Financial Statements	
Statements of Net Position .....	4
Statements of Revenues, Expenses and Changes in Net Position .....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-21
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability.....	22
Schedule of Contributions – Pension.....	23
Schedule of Proportionate Share of the Net OPEB Liability / Asset .....	24
Schedule of Contributions – OPEB.....	25
Notes to Required Supplementary Information .....	26-28
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	29-30
Schedule of Findings and Responses.....	31-32



## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
East Casey County Water District  
Liberty, Kentucky

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the East Casey County Water District (the District), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the East Casey County Water District, as of December 31, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the pension and OPEB schedules on pages 22-28 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.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
March 26, 2026

**EAST CASEY COUNTY WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31,**

<b>ASSETS</b>	<b>2025</b>	<b>2024</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,157,120	\$ 1,214,105
Investments - certificates of deposit	714,694	683,669
Customer accounts receivable, net	228,826	210,583
Grant receivable	-	232,500
Accrued interest receivable	<u>6,027</u>	<u>6,140</u>
Total current assets	<u>2,106,667</u>	<u>2,346,997</u>
<b>Restricted assets</b>		
Cash and cash equivalents	4,008	-
Investments - certificates of deposit	<u>38,630</u>	<u>38,630</u>
Total restricted assets	<u>42,638</u>	<u>38,630</u>
Net OPEB asset	<u>-</u>	<u>17,865</u>
<b>Capital assets</b>		
Land	101,814	101,814
Property, plant and equipment, net	12,814,829	12,037,239
Construction-in-progress	<u>-</u>	<u>916,559</u>
Total capital assets	<u>12,916,643</u>	<u>13,055,612</u>
Total assets	<u>15,065,948</u>	<u>15,459,104</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pension	68,820	111,568
Deferred outflows - OPEB	<u>55,240</u>	<u>46,145</u>
Total deferred outflows of resources	<u>124,060</u>	<u>157,713</u>
Total assets and deferred outflows of resources	<u>\$ 15,190,008</u>	<u>\$ 15,616,817</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 129,513	\$ 152,353
Taxes payable	24,693	25,426
Construction payable	-	273,793
Customer deposits payable	32,625	33,225
Accrued interest payable	13,358	13,881
Deferred revenue	11,480	3,600
Accrued compensation	12,675	12,675
Contingent liability	28,289	26,540
Current portion of long-term debt	<u>217,991</u>	<u>211,991</u>
Total current liabilities	<u>470,624</u>	<u>753,484</u>
<b>Noncurrent liabilities</b>		
Net pension liability	567,255	610,841
Net OPEB liability	9,797	-
KIA revolving loan payable	477,029	527,437
Bonds payable	<u>2,650,134</u>	<u>2,818,990</u>
Total noncurrent liabilities	<u>3,704,215</u>	<u>3,957,268</u>
Total liabilities	<u>4,174,839</u>	<u>4,710,752</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pension	58,823	75,054
Deferred inflows - OPEB	<u>118,198</u>	<u>176,552</u>
Total deferred inflows of resources	<u>177,021</u>	<u>251,606</u>
<b>NET POSITION</b>		
Net investment in capital assets	9,571,489	9,497,194
Restricted for reserves	42,638	38,630
Unrestricted	<u>1,224,021</u>	<u>1,118,635</u>
Total net position	<u>10,838,148</u>	<u>10,654,459</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,190,008</u>	<u>\$ 15,616,817</u>

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

**EAST CASEY COUNTY WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
for the years ended December 31,

	<b>2025</b>	<b>2024</b>
<b>OPERATING INCOME</b>		
Water sales	\$ 2,705,601	\$ 2,691,537
Late charges	48,260	48,396
Other revenue	<u>12,026</u>	<u>107,231</u>
Total operating income	<u>2,765,887</u>	<u>2,847,164</u>
<b>OPERATING EXPENSES</b>		
Water purchases	1,251,746	1,069,091
Salaries	368,093	341,774
Employee benefits	130,055	113,553
Taxes	30,259	26,828
Office expense and postage	57,007	54,135
Insurance	54,958	51,048
Transportation expense	37,501	37,738
Line upkeep	180,273	234,694
Contract labor	86,760	73,894
Utilities and telephone	137,566	121,114
Legal and professional	62,015	35,199
Miscellaneous	55,275	73,777
Regulatory commission expenses	<u>4,555</u>	<u>4,158</u>
Total operating expenses	<u>2,456,063</u>	<u>2,237,003</u>
Operating income before depreciation	309,824	610,161
Depreciation expense	<u>(536,578)</u>	<u>(494,650)</u>
<b>OPERATING INCOME (LOSS)</b>	(226,754)	115,511
Non-operating income (expenses)		
Interest income	42,407	44,529
Interest expense	(80,683)	(135,261)
Long-term debt service costs	(6,265)	(6,727)
Gain (loss) on disposal of assets	<u>(1,479)</u>	<u>1,118</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(272,774)	19,170
Capital Contributions		
Tap fees	75,958	45,660
Capital grants	380,505	1,448,649
Other	<u>-</u>	<u>7,450</u>
Change in net position	183,689	1,520,929
Net position, beginning of year as restated	<u>10,654,459</u>	<u>9,133,530</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 10,838,148</u>	<u>\$ 10,654,459</u>

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

**EAST CASEY COUNTY WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
for the years ended December 31,

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 2,757,273	\$ 2,868,273
Payment to suppliers	(1,886,368)	(1,651,912)
Payment for employee services and benefits	<u>(641,764)</u>	<u>(602,835)</u>
Net cash provided by operating activities	<u>229,141</u>	<u>613,526</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments	(213,264)	(1,387,686)
Interest payments	(81,206)	(129,135)
Long-term debt service costs	(6,265)	(6,727)
Additions to capital assets	(682,462)	(1,359,142)
Proceeds from issuance of debt	-	1,202,000
Proceeds from disposal of capital assets	621	1,118
Tap fees	75,958	45,660
Other capital contributions	-	7,450
Grants received	<u>613,005</u>	<u>1,216,149</u>
Net cash (used) by capital and related financing activities	<u>(293,613)</u>	<u>(410,313)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) redemption of certificates of deposit	(31,025)	(33,815)
Interest income	<u>42,520</u>	<u>44,950</u>
Net cash provided by investing activities	<u>11,495</u>	<u>11,135</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(52,977)</b>	<b>214,348</b>
Cash and cash equivalents, beginning of year	<u>1,214,105</u>	<u>999,757</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,161,128</u></u>	<u><u>\$ 1,214,105</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (226,754)	\$ 115,511
Noncash items included in operating income (loss):		
Depreciation	536,578	494,650
Changes in net pension liability	(17,069)	(26,098)
Changes in net OPEB liability	(39,787)	(47,516)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(18,243)	8,629
(Increase) decrease in deferred revenue	7,880	3,600
Increase (decrease) in accounts payable	(13,879)	37,982
Increase (decrease) in customer deposits	(600)	1,875
Increase (decrease) in taxes/other payables	(734)	3,338
Increase (decrease) in accrued compensation	-	12,675
Increase (decrease) in contingent liability	<u>1,749</u>	<u>8,880</u>
Net cash provided by operating activities	<u><u>\$ 229,141</u></u>	<u><u>\$ 613,526</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Components of cash on the Statement of Net Position		
Cash and cash equivalents	\$ 1,157,120	\$ 1,214,105
Restricted cash and cash equivalents	<u>4,008</u>	<u>-</u>
	<u><u>\$ 1,161,128</u></u>	<u><u>\$ 1,214,105</u></u>
Non-cash capital and related financing information:		
Amortization on bond premium	<u>\$ 1,273</u>	<u>\$ 1,273</u>
Net change in construction payable	<u>\$ (273,793)</u>	<u>\$ 184,068</u>
Net change in grants receivable	<u><u>\$ 232,500</u></u>	<u><u>\$ (232,500)</u></u>

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

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**1. ORGANIZATION AND ACCOUNTING POLICIES**

The East Casey County Water District (the District) was created and organized as a public body corporate in Casey County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Casey County Fiscal Court to operate a water distribution system. The District is regulated by the Kentucky Public Service Commission.

The net position of the District is classified into three categories: net investment in capital assets, restricted and unrestricted. The restricted net position consists of reserves for depreciation costs relating to the construction, replacement, extension, additions and/or improvements to the system. These reserves are discussed in Note 4.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

For purposes of the statement of cash flows, the District defines cash and cash equivalents to include cash on hand, cash in bank and certificates of deposit with original maturities of 90 days or less.

The District records revenue as billed to its customers on monthly meter reading cycles. At the end of each year, water service which has been rendered from the latest date of each meter reading to the year end is unbilled.

The District reports all revenues and expenses as operating, except interest income, interest expense, amortization, capital contributions and gains and losses on sales of capital assets.

Capital assets are recorded at cost. Donated assets are valued at their fair market value on the date of donation. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

The allowance for uncollectible accounts at December 31, 2025 and 2024 was \$964,579 and \$903,381, respectively. The District charges all uncollected accounts directly against current earnings. Charges against (toward) earnings for the years ended December 31, 2025 and 2024 was \$61,198 and \$(8,629), respectively.

Investments consist of certificates of deposit with original maturities of 90 days or longer. Investments are recorded at cost, which approximates fair value.

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 fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**1. ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)**

Effective January 1, 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. These changes were incorporated in the District's December 31, 2024 financial statements. See Note 9 for the effect on the beginning net position of the District as a result of implementing GASB Statement No. 101.

The District has evaluated and considered the need to recognize or disclose subsequent events through March 26, 2026, which represents the date that these financial statements were available for issuance. Subsequent events past this date, as they pertain to the year ended December 31, 2025, have not been evaluated by the District.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480. The District does not have a formal investment policy but follows Kentucky Revised Statutes for investing funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The East Casey County Water District deposits at December 31, 2025 and 2024, were entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name. The bank balances of the District's deposits were \$1,899,506 and \$1,949,657 at December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, \$1,395,971 and \$1,480,149, respectively, of the District's deposits were covered by Federal Depository Insurance, and \$503,535 and \$469,508, respectively, were covered by collateral held by the custodial banks in the District's name.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

**3. PROPERTY, PLANT, AND EQUIPMENT**

The following is a summary of changes in capital assets for the District at December 31, 2025:

	<b>Balance 12/31/2024</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 12/31/2025</b>
Capital assets not depreciated:				
Land	\$ 101,814	\$ -	\$ -	\$ 101,814
Construction in progress	<u>916,559</u>	<u>338,133</u>	<u>1,254,692</u>	<u>-</u>
Totals	<u>1,018,373</u>	<u>338,133</u>	<u>1,254,692</u>	<u>101,814</u>
Capital assets that are depreciated:				
Property, plant and equipment	<u>20,922,824</u>	<u>1,316,268</u>	<u>10,500</u>	<u>22,228,592</u>
Less accumulated depreciation	<u>8,885,585</u>	<u>536,578</u>	<u>8,400</u>	<u>9,413,763</u>
Totals	<u>12,037,239</u>	<u>779,690</u>	<u>2,100</u>	<u>12,814,829</u>
Capital assets, net	<u>\$ 13,055,612</u>	<u>\$ 1,117,823</u>	<u>\$ 1,256,792</u>	<u>\$ 12,916,643</u>

The following is a summary of changes in capital assets for the District at December 31, 2024:

	<b>Balance 12/31/2023</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 12/31/2024</b>
Capital assets not depreciated:				
Land	\$ 101,814	\$ -	\$ -	\$ 101,814
Construction in progress	<u>1,179,088</u>	<u>1,445,816</u>	<u>1,708,345</u>	<u>916,559</u>
Totals	<u>1,280,902</u>	<u>1,445,816</u>	<u>1,708,345</u>	<u>1,018,373</u>
Capital assets that are depreciated:				
Property, plant and equipment	<u>19,135,544</u>	<u>1,796,780</u>	<u>9,500</u>	<u>20,922,824</u>
Less accumulated depreciation	<u>8,400,435</u>	<u>494,650</u>	<u>9,500</u>	<u>8,885,585</u>
Totals	<u>10,735,109</u>	<u>1,302,130</u>	<u>-</u>	<u>12,037,239</u>
Capital assets, net	<u>\$ 12,016,011</u>	<u>\$ 2,747,946</u>	<u>\$ 1,708,345</u>	<u>\$ 13,055,612</u>

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

**4. LONG-TERM DEBT**

In December 2014, the Kentucky Bond Corporation issued Series 2014E Revenue Bonds for the District to refund all prior outstanding bonds. This issue contained a premium in the amount of \$30,552, which has been reported with bonds payable and is being amortized over the term of the debt. The new issue will reduce debt service payments by \$753,224 and has a net economic gain of \$149,472. This issue requires annual premium payments which began in February 2016. The bonds bear interest at an average rate of 3.63%.

The District has obtained a Federally Assisted Drinking Water Revolving Loan from the Kentucky Infrastructure Authority to fund the Various Waterline Extensions Project. The project was completed during 2016, and no draws have been made since. At project completion in 2016, final loan less forgiveness amounts totaled \$1,004,250. Loan repayments began during 2016. The loan has a stated interest rate of 1% to be repaid over 20 years.

In April 2023, the District obtained an interim financing loan through the Rural Water Financing Agency. The interim financing loan was obtained to finance the Systems Upgrade Project for the construction period between when the District was awarded a Rural Utilities Services (RUS) federal loan and the RUS bond closing date. The interim financing loan was issued for a principal amount of \$1,202,000 at an interest rate of 5.30% set to mature on April 1, 2025. The District's RUS Series 2023 Waterworks Revenue Bond was finalized on February 22, 2024. The bond issuance proceeds were used to pay off the interim financing loan. RUS Series 2023 Waterworks Revenue Bond was issued for a principal amount of \$1,202,000 at an interest rate of 1.375% set to mature January 2064. Payments on the RUS Series 2023 Waterworks Revenue Bond for the year ended December 31, 2024, were interest only and for the year ended December 31, 2025, were interest and principal.

The annual requirements to amortize all direct borrowings outstanding as of December 31, 2025, are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Fees</b>	<b>Payment</b>
2026	\$ 217,991	\$ 77,477	\$ 5,791	\$ 301,259
2027	210,247	72,149	5,303	287,699
2028	214,507	66,916	4,836	286,259
2029	215,939	61,538	4,359	281,836
2030	198,627	55,972	3,878	258,477
2031-2035	996,789	203,369	12,810	1,212,968
2036-2040	476,006	85,025	3,081	564,112
2041-2045	145,500	49,950	-	195,450
2046-2050	155,500	39,604	-	195,104
2051-2055	167,500	28,515	-	196,015
2056-2060	177,500	16,655	-	194,155
2061-2064	<u>152,500</u>	<u>4,259</u>	<u>-</u>	<u>156,759</u>
	<u>3,328,606</u>	<u>\$ 761,429</u>	<u>\$ 40,058</u>	<u>\$ 4,130,093</u>
Premium on refunding	<u>16,548</u>			
	<u>\$ 3,345,154</u>			

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

**4. LONG-TERM DEBT (CONTINUED)**

The following is a summary of long-term liabilities for the year ended December 31, 2025:

	<b>Interest Rate</b>	<b>Balance January 1, 2025</b>	<b>Issued</b>	<b>Payments</b>	<b>Balance December 31, 2025</b>
Direct borrowings					
KY Bond Corporation	3.63%	\$ 1,761,251	\$ -	\$ 139,582	\$ 1,621,669
Premium on Refunding		17,822	-	1,274	16,548
RUS Revenue Bond	1.375%	1,202,000	-	22,500	1,179,500
KIA Revolving Loan	1.00%	<u>577,345</u>	<u>-</u>	<u>49,908</u>	<u>527,437</u>
Total direct borrowings		3,558,418	-	213,264	3,345,154
Net pension liability		610,841	-	43,586	567,255
Net OPEB liability		<u>-</u>	<u>9,797</u>	<u>-</u>	<u>9,797</u>
Total long-term liabilities		<u>\$ 4,169,259</u>	<u>\$ 9,797</u>	<u>\$ 256,850</u>	<u>\$ 3,922,206</u>

The following is a summary of long-term liabilities for the year ended December 31, 2024:

	<b>Interest Rate</b>	<b>Balance January 1, 2024</b>	<b>Issued</b>	<b>Payments</b>	<b>Balance December 31, 2024</b>
Direct borrowings					
KY Bond Corporation	3.63%	\$ 1,896,251	\$ -	\$ 135,000	\$ 1,761,251
Premium on Refunding		19,095	-	1,273	17,822
Interim Financing Loan	5.30%	1,202,000	-	1,202,000	-
RUS Revenue Bond	1.375%	-	1,202,000	-	1,202,000
KIA Revolving Loan	1.00%	<u>626,758</u>	<u>-</u>	<u>49,413</u>	<u>577,345</u>
Total direct borrowings		3,744,104	1,202,000	1,387,686	3,558,418
Net pension liability		576,910	33,931	-	610,841
Net OPEB liability		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities		<u>\$ 4,321,014</u>	<u>\$ 1,235,931</u>	<u>\$ 1,387,686</u>	<u>\$ 4,169,259</u>

For the year ended December 31, 2024 the net OPEB liability is presented as a net OPEB asset on the Statement of Net Position.

**Depreciation Reserve** - Per the assistance agreement with KIA, the District is required to maintain a depreciation reserve in the amount of \$38,630. The District met this requirement at December 31, 2025 and 2024.

Per the revenue bond agreement, beginning in 2025 the District is required to transfer to this reserve \$3,960 annually until a balance of \$39,600 is accumulated. The District met this requirement at December 31, 2025, as the balance in this reserve was \$4,008.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**5. RETIREMENT PLAN**

The East Casey County Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

*Contributions* – For the year ended December 31, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board.

For the year ended December 31, 2025, participating employers contributed 19.71% through June 30<sup>th</sup> and 18.62% thereafter, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 6. Plan members contributed 19.71% through June 30<sup>th</sup> and 18.62% thereafter to the pension trust for non-hazardous job classifications for the year ended December 31, 2025. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$65,214 for the year ended December 31, 2025, or 100% of the required contribution for non-hazardous job classifications. The District contributed \$70,754 for the year ended December 31, 2024, or 100% of the required contribution for non-hazardous job classifications.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**5. RETIREMENT PLAN (CONTINUED)**

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At December 31, 2025, the District reported a liability of \$567,255 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2025, the District's proportion was .01019 percent, which was a decrease of .00002 percent from its proportion measured as of June 30, 2024.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

**5. RETIREMENT PLAN (CONTINUED)**

For the year ended December 31, 2025, the District recognized pension expense of \$48,146. For the year ended December 31, 2024, the District recognized pension expense of \$44,660. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 18,806	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	56,723
Changes in proportion and differences between District contributions and proportionate share of contributions	19,072	2,100
District contributions subsequent to the measurement date	30,942	-
Total	\$ 68,820	\$ 58,823

The \$30,942 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources as of December 31, 2025 will be recognized in pension expense as follows:

<b>Year ending December 31,</b>	
2026	\$ 27,618
2027	\$ (20,434)
2028	\$ (18,432)
2029	\$ (9,697)

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

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.50%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2020 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 actuarial assumption used in the June 30, 2025 valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

**5. RETIREMENT PLAN (CONTINUED)**

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. As of December 31, 2025, the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>53.00%</b>	
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
<b>Fixed Income</b>	<b>35.00%</b>	
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
<b>Inflation Protected</b>	<b>12.00%</b>	
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
<b>Total</b>	<b>100.00%</b>	<b>4.24%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>6.74%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate.

*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 percent, 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 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<b>Discount rate</b>	<b>District's proportionate share of net pension liability</b>
1% decrease	5.50%	\$ 749,948
Current discount rate	6.50%	\$ 567,255
1% increase	7.50%	\$ 416,527

*Payable to the Pension Plan* – At December 31, 2025 and 2024, the District reported a payable of \$5,508 and \$6,934, respectively, for the outstanding amount of contributions to the pension plan required for the years then ended, respectively. The payable includes both the pension and insurance contribution allocation.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description* – As more fully described in Note 5, the District participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – As more fully described in Note 5, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2025, the employer’s contribution was 0.00% through June 30<sup>th</sup> and 0.00% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended December 31, 2025, the District contributed \$0, or 100% of the required contribution for non-hazardous job classifications. For the year ended December 31, 2024, the District contributed \$0, or 100% of the required contribution for non-hazardous job classifications.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*OPEB Liabilities (Assets), Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At December 31, 2025, the District reported a liability for its proportionate share of the net OPEB liability of \$9,797. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2025 was .01020 percent, which was a decrease of .00002 percent from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the District recognized OPEB expense of \$(34,184). For the year ended December 31, 2024, the District recognized OPEB expense of \$(41,784). At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 31,776	\$ 84,228
Changes of assumptions	6,535	5,610
Net difference between projected and actual earnings on Plan investments	-	22,188
Changes in proportion and differences between District contributions and proportionate share of contributions	11,102	6,172
District contributions subsequent to the measurement date	5,827	-
<b>Total</b>	<b>\$ 55,240</b>	<b>\$ 118,198</b>

The \$5,827 deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2026. This includes an adjustment of \$5,827 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

**Year ending December 31,**

2026	\$	(40,481)
2027	\$	(33,064)
2028	\$	3,872
2029	\$	888

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service
Investment rate or return	6.50%, net of Plan investment expense, including inflation
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, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 10 years.

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2020 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 actuarial assumption used in the June 30, 2025 valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

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.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

**6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>53.00%</b>	
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
<b>Fixed Income</b>	<b>35.00%</b>	
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
<b>Inflation Protected</b>	<b>12.00%</b>	
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
<b>Total</b>	<b>100.00%</b>	<b>4.24%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>6.74%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability as of June 30, 2025 was 6.26% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2025, the discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 5.20%, as reported in Bond Buyer’s “20 –Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate* – The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Discount rate</b>	<b>Proportionate share of net OPEB liability (asset)</b>
1% decrease	5.26%	\$ 58,787
Current discount rate	6.26%	\$ 9,797
1% increase	7.26%	\$ (31,435)

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**6. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate* – The following presents the District's proportionate share of the net OPEB liability (asset) calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		<b>Proportionate share of net OPEB liability (asset)</b>
1% decrease	\$	(22,642)
Current trend rate	\$	9,797
1% increase	\$	47,771

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

**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 omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**8. CONTINGENCIES**

The District is involved in an ongoing investigation with the Kentucky Public Service Commission related to prematurely assessed late fees on delinquent customer accounts. Management has evaluated the circumstances surrounding this matter and, based on currently available information and consultation with legal counsel, has determined that it is probable and reasonably estimable that the District will be required to refund customers approximately \$28,289. Accordingly, the District has recorded a liability at December 31, 2025 in the amount of \$28,289, representing the estimated amount expected to be refunded to affected customers. While the District believes this estimate to be reasonable, the final resolution of this matter may differ from the amount accrued. Any adjustments to the estimated liability will be recognized in the period in which additional information becomes available.

**EAST CASEY COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

---

**9. RESTATEMENT OF NET POSITION**

During 2024, the District implemented GASB Statement No. 101, *Compensated Absences*, as described more fully in Note 1. As outlined in GASB Statement No. 101, accrued compensated absences were restated for remeasurement of accrued vacation leave, accrued sick leave and the employer portion of FICA and Medicare taxes related to compensated absences for the year ended December 31, 2024. This resulted in a restatement of beginning net position as shown below.

During 2025, the District was made aware by the Kentucky Public Service Commission that they had been over billing customers for late penalties, as described more fully in Note 8. As a result of the case with the Kentucky Public Service Commission, it was determined that a contingent liability for late charges erroneously collected from June 2020 to June 2025 should be accrued for the years ending December 31, 2025 and 2024 and late charge revenue should be reduced. This resulted in a restatement of beginning net position as shown below.

Net position, beginning of 2024	\$ 9,151,582
Restatement for GASB 101	(392)
Restatement for late charge refund	<u>(17,660)</u>
Net position, beginning of 2024, as restated	<u>\$ 9,133,530</u>
Net position, beginning of 2025	\$ 10,680,999
Restatement for late charge refund	<u>(26,540)</u>
Net position, beginning of 2025, as restated	<u>\$ 10,654,459</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**EAST CASEY COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Last Ten Years**

Reporting Year End (Measurement Date)	December 31, 2016 (June 30, 2016)	December 31, 2017 (June 30, 2017)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)	December 31, 2022 (June 30, 2022)	December 31, 2023 (June 30, 2023)	December 31, 2024 (June 30, 2024)	December 31, 2025 (June 30, 2025)
District's proportion of the net pension liability	0.00963%	0.01012%	0.00991%	0.01012%	0.00980%	0.00984%	0.00935%	0.00899%	0.01021%	0.01019%
District's proportionate share of the net pension liability (asset)	\$ 474,260	\$ 592,296	\$ 603,671	\$ 711,955	\$ 751,422	\$ 627,506	\$ 676,204	\$ 576,910	\$ 610,841	\$ 567,255
District's covered employee payroll	\$ 240,266	\$ 257,062	\$ 245,659	\$ 255,348	\$ 250,947	\$ 251,398	\$ 258,551	\$ 260,978	\$ 320,675	\$ 339,571
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	197.39%	230.41%	245.74%	278.82%	299.43%	249.61%	261.54%	221.06%	190.49%	167.05%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%	65.34%

**EAST CASEY COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF CONTRIBUTIONS - PENSION  
Last Ten Calendar Years**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually required employer contribution	\$ 34,089	\$ 34,090	\$ 38,922	\$ 45,071	\$ 47,899	\$ 52,763	\$ 57,205	\$ 64,446	\$ 70,754	\$ 65,214
Contributions relative to contractually required employer contribution	<u>34,089</u>	<u>34,090</u>	<u>38,922</u>	<u>45,071</u>	<u>47,899</u>	<u>52,763</u>	<u>57,205</u>	<u>64,446</u>	<u>70,754</u>	<u>65,214</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 257,403	\$ 239,758	\$ 253,314	\$ 253,713	\$ 248,183	\$ 260,445	\$ 247,777	\$ 295,685	\$ 328,914	\$ 340,059
Employer contributions as a percentage of covered-employee payroll	13.24%	14.22%	15.37%	17.76%	19.30%	20.26%	23.09%	21.80%	21.51%	19.18%

**EAST CASEY COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY / ASSET  
Last Nine Years**

Reporting Year End (Measurement Date)	December 31, 2017 (June 30, 2017)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)	December 31, 2022 (June 30, 2022)	December 31, 2023 (June 30, 2023)	December 31, 2024 (June 30, 2024)	December 31, 2025 (June 30, 2025)
District's proportion of the net OPEB liability (asset)	0.01012%	0.00991%	0.01012%	0.00979%	0.00984%	0.00935%	0.00899%	0.01022%	0.01020%
District's proportionate share of the net OPEB liability (asset)	\$ 203,427	\$ 175,968	\$ 170,231	\$ 236,495	\$ 188,382	\$ 184,563	\$ (12,412)	\$ (17,865)	\$ 9,797
District's covered employee payroll	\$ 257,062	\$ 245,659	\$ 255,348	\$ 250,947	\$ 251,398	\$ 258,551	\$ 260,978	\$ 320,675	\$ 339,571
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	79.14%	71.63%	66.67%	94.24%	74.93%	71.38%	-4.76%	-5.57%	2.89%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%	97.66%

Notes:

The above schedule will present 10 years of historical data, once available.

**EAST CASEY COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF CONTRIBUTIONS - OPEB  
Last Ten Calendar Years**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually required employer contribution	\$ 12,068	\$ 11,304	\$ 12,627	\$ 12,709	\$ 11,814	\$ 13,759	\$ 9,375	\$ 9,336	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>12,068</u>	<u>11,304</u>	<u>12,627</u>	<u>12,709</u>	<u>11,814</u>	<u>13,759</u>	<u>9,375</u>	<u>9,336</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 257,403	\$ 239,758	\$ 253,314	\$ 253,713	\$ 248,183	\$ 260,445	\$ 247,777	\$ 295,685	\$ 328,914	\$ 340,059
Employer contributions as a percentage of covered-employee payroll	4.69%	4.71%	4.98%	5.01%	4.76%	5.28%	3.78%	3.16%	0.00%	0.00%

**EAST CASEY COUNTY WATER DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2025**

---

**1. GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Contributions - Pensions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of Contributions - OPEB.

**Payroll**

The District's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Proportionate Share of the Net OPEB Liability / Asset is for the corresponding measurement date of the net liability and asset and differs from the District's calendar year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**2. CHANGES OF ASSUMPTIONS**

**December 31, 2025 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2025, for OPEB:

- The municipal bond rate used in the discount rate determination increased from 3.97% to 5.20%.

**December 31, 2024 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

**December 31, 2023 – Pension and OPEB**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

**EAST CASEY COUNTY WATER DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2025**

---

**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

**December 31, 2022 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

**December 31, 2021 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

**December 31, 2020 – Pension and OPEB**

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%.

**December 31, 2019 – Pension and OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

**December 31, 2018 – Pension and OPEB**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

**EAST CASEY COUNTY WATER DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2025**

---

**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**December 31, 2017 – Pension and OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

**December 31, 2016 – Pension and OPEB**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.



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

Board of Commissioners  
East Casey County Water District  
Liberty, 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 East Casey County Water District (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2026.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses item 2025-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses item 2025-002 to be a significant deficiency.

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **East Casey County Water District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the East Casey County Water District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. East Casey County Water District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **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.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
March 26, 2026

**EAST CASEY COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
for the year ended December 31, 2025**

---

**FINDINGS AND RESPONSES:**

**2025-001 – Internal Control Over Financial Reporting (Recurring) (Material)**

**Criteria:**

The District is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

**Condition:**

Management engaged the auditor to prepare cash to accrual adjustments, including recording bank account activity and related federal grant income and expenses on certain grant accounts, update the depreciation schedule, and draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the adjustments and the financial statements prior to their issuance.

**Cause:**

The District lacks personnel with the expertise to prepare cash to accrual adjustments, update the depreciation schedule, and draft the financial statements, including related note disclosures, in conformity with generally accepted accounting principles. In addition, the District lacks internal controls to properly record bank account activity for related to federal grant income and expenses recorded in certain grant accounts.

**Effect:**

Management engaged the auditor to prepare cash to accrual adjustments, including recording bank account activity and related federal grant income and expenses for the Systems Upgrade account, update the depreciation schedule, and draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the adjustments and the financial statements prior to their issuance.

**Recommendation:**

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to record all federal grant activity, update the depreciation schedule, and prepare the financial statements on the accrual basis of accounting.

**Response:**

This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to adjust the books to the accrual basis, record federal grant activity and to draft the financial statements and related notes. Management has reviewed and accepts responsibility for the adjustments and financial statements.

**2025-002 – Customer Deposit and Cut-Off Policies (Recurring) (Significant Deficiency)**

**Criteria:**

Internal controls within the District should ensure that policies and procedures are in place and consistently applied to reduce the amount of uncollectible charges and bad debt write-offs the District incurs.

**Condition:**

Historically the District has written off significant customer charges as uncollectible. The District has made improvements in enforcing its cut-off policy and collecting on delinquent accounts in recent years. However, in the current year the District accumulated approximately \$60,198 of customer charges that were deemed uncollectible. In addition, the amount of delinquent accounts remains significant.

**EAST CASEY COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES, Continued  
for the year ended December 31, 2025**

---

**FINDINGS AND RESPONSES (CONTINUED):**

**2025-002 – Customer Deposit and Cut-Off Policies (Recurring) (Significant Deficiency) (Continued)**

**Cause:**

At the present time, the District refunds customer deposits annually, regardless of a customer's payment history. In addition, we noted that customer cut-offs are not consistently performed in accordance with the District's cut-off policy.

**Effect:**

The District's deposit policy does not allow for sufficient deposits to remain on hand to cover bad debts. This leaves the District vulnerable to customers who do not pay. In addition, the inconsistent application of cut-off procedures means the District could often be providing water to customers who will never pay.

**Recommendation:**

We recommend that the District consider revising its customer deposit policy and file a revised tariff with the Public Service Commission to provide itself with assurance of at least partial coverage of final billings, especially for customers who have a history of late or non-payment. While the District made improvements in cutting-off past due accounts, we recommend that the District enforce the cut-off policy. We recommend that payment plans are established for all customers meeting the cut-off policy requirements but are approved to remain connected for water services.

**Response:**

The District agrees with your recommendation, representing the best case scenario and will attempt to follow your recommendation.