

BOONE COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
For Years Ending December 31, 2024 and 2023

BOONE COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2024 and 2023

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BOONE COUNTY WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2024 and 2023

Mike Giordano, Chair

Charlie Cain, Vice-Chair

James Daugherty, Treasurer

Tim Alexander, Jr., Secretary

James Parsons

Of Counsel

David Koenig, Esq.

INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
Boone County Water District
Burlington, Kentucky**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Boone County Water District (District), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Boone County Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Boone County Water District as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, 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 audits in accordance with accounting standards generally accepted in the United States of America. 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 Boone County Water District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Boone County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boone 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 *Management's Discussion and Analysis* and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2025, on our consideration of the Boone County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Boone County Water 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 Boone County Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky

May 7, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2024. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The District saw an increase in net position during 2024. This was primarily due to capital contributions of transmission lines donated to the District by developers, the Kentucky Department of Transportation and the Boone County Fiscal Court.

USING THIS ANNUAL REPORT

The financial statements presented herein include all the activities of the District accounted for within a single proprietary (enterprise) reporting entity. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, notes to the financial statements and a supplemental schedule. These statements show the condition of the District's finances and the sources of income and the funds expended.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2024, 2023, and 2022.

Table 1 - Net Position

	2024	2023	2022
Current assets	\$ 18,483,212	\$ 22,352,180	\$ 21,866,094
Restricted assets	-	745	376
Non Current/ Capital assets, net	126,243,986	114,469,389	103,595,653
Deferred outflows of resources	534,544	717,571	694,896
Total Assets and Deferred Outflows of Resources	145,261,742	137,539,885	126,157,019
Current liabilities	2,201,197	2,062,891	1,884,245
Liabilities payable from restricted assets	91,263	89,138	87,069
Long-term liabilities	4,216,727	4,710,529	6,180,367
Deferred inflows of resources	1,380,210	1,705,780	661,630
Total Liabilities and Deferred Inflows of Resources	7,889,397	8,568,338	8,813,311
Net Position:			
Net investment in capital assets	124,952,511	113,092,104	102,134,829
Restricted	(3,121)	(2,583)	(3,154)
Unrestricted	12,422,955	15,882,026	15,212,033
Total Net Position	\$ 137,372,345	\$ 128,971,547	\$ 117,343,708

Net Position (i.e., total assets net of total liabilities) is divided into three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted.

The largest portion of the District's net position (90.96%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers;

consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

The second category, restricted, represents resources that are subject to restrictions on how they are to be expended.

The third category, unrestricted, may be used by the District to meet current obligations to creditors.

The District's net position for 2024 increased 6.51% or \$8,400,798 as compared to a 9.91% or \$11,627,839 increase in the previous year.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

The District's operating revenues increased by \$1,188,833 or 6.6%. Water sales increased slightly in conjunction with an overall increase in the number of bills that were sent out. There was also a 6.2% decrease in forfeited discounts from users who did not pay their bills timely and received a penalty.

Operating Expenses

The District's operating expenses increased \$1,974,656 or 10%. These increases are a reflection of inflation in the general economy as a whole in 2024.

- Water Purchased – There was an increase in water costs in the amount of \$751,434 or 6.3% over 2023. This was due to Boone-Florence Water Commission passing on increased rates for water purchased.
- Operations & Maintenance Expenses – Operation and maintenance expenses increased by \$1,036,888 primarily due to an increase in operating supplies, operating labor, and office supplies. A significant portion of this increase was due to the increase in labor costs as the District continues having difficulty attracting new employees and retaining old employees. The District also experienced increases in the cost of operating supplies due to the inflationary prices that continued to be passed on by vendors.
- Depreciation – Depreciation expense for 2024 and 2023 was \$3,436,403 and \$3,250,069, respectively. This increase of \$186,334 or 5.73% correlates to significant additions in fixed assets in 2024 and is consistent with the increase seen in depreciation expense in recent years.

Net Effect Of Change In Pension and OPEB

The District is required to report its proportionate share of the estimated unfunded pension and OPEB liability (asset) associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as non-operating income, \$548,203, is the result of recognizing the change in the liability (asset) and the related deferred inflows and outflows less any amortization of those inflows and outflows between June 30, 2023 and June 30, 2024. This benefit compares favorably to the benefit gain of \$362,553 from the amount reported in 2023. See Note 7 to the financial statements for a more complete explanation of this unfunded liability (asset) and the related deferred inflows and outflows.

Capital Contributions

Capital contributions were \$9,843,451, which is a decrease of \$2,548,101 during 2024. This is primarily due to the donation of transmission lines by developers, the Kentucky Department of Transportation and the Boone County Fiscal Court.

Interest and Investment Income

Interest and investment income decreased \$80,063 in 2024. This portfolio consists of US Treasuries, US Agency debt, Municipal Bonds, Mutual Funds, and Money Market Funds. These investments, unlike certificates of deposit, carry with them the risk of loss. The amount of this unrealized (loss)/income, (\$11,792) and \$183,824 at December 31, 2024 and 2023, respectively, has been included in investment income. Since the District plans to hold these investments to maturity, the management believes that these losses will never be incurred. The District is addressing deficiencies in its investment guidance. See the table below for a breakdown of investment income for 2024 and 2023.

	2024	2023	Increase/Decrease
Interest and dividends	\$ 528,088	\$ 442,419	\$ 85,669
Realized gains on the sale of investments	881	(1,653)	2,534
Accrued income	29,562	1,459	28,103
Investment fees	(19,205)	(18,452)	(753)
Investment income	539,326	423,773	115,553
Unrealized gain/loss on investment	(11,792)	183,824	(195,616)
Reported interest and investment income/loss	<u>\$ 527,534</u>	<u>\$ 607,597</u>	<u>\$ (80,063)</u>

Table 2 provides a summary of the change in the District's net position at December 31, 2024, 2023, and 2022.

Table 2 – Changes in Net Position

	2024	2023	2022
Operating revenues:			
Water sales	\$ 18,957,886	\$ 17,759,330	\$ 17,015,145
Forfeited discounts	277,588	295,931	211,647
Other water revenues	49,142	40,522	73,683
Total operating revenues	<u>19,284,616</u>	<u>18,095,783</u>	<u>17,300,475</u>
Operating expenses:			
Water purchased	12,672,147	11,920,713	11,422,089
Operation and maintenance expense	5,654,193	4,617,305	4,273,510
Depreciation	3,436,403	3,250,069	3,096,260
Total operating expenses	<u>21,762,743</u>	<u>19,788,087</u>	<u>18,791,859</u>
Net operating (loss) income	<u>(2,478,127)</u>	<u>(1,692,304)</u>	<u>(1,491,384)</u>
Non-operating income (expenses)			
Interest income	235,227	217,441	36,186
Investment income (loss)	292,307	390,157	(661,070)
Net effect on change in pension	548,203	362,553	10,267
Interest on long-term debt	(39,116)	(41,560)	(48,293)
(Loss)/gain on disposal of assets	(1,147)	-	198,708
Net non-operating income (expenses)	<u>1,035,474</u>	<u>928,591</u>	<u>(464,202)</u>
(Loss) income before capital contributions	(1,442,653)	(763,713)	(1,955,586)
Capital contributions	9,843,451	12,391,552	6,813,822
Change in net position	<u>8,400,798</u>	<u>11,627,839</u>	<u>4,858,236</u>
Net position, January 1	128,971,547	117,343,708	112,485,472
Net position, December 31	<u>\$ 137,372,345</u>	<u>\$ 128,971,547</u>	<u>\$ 117,343,708</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2024, the District had \$126,243,986 invested in capital assets including construction in progress, land, buildings, water treatment, transmission and distribution system, equipment, and vehicles, as reflected in the following schedule. This represents a net increase (additions less retirements and depreciation) of \$11,774,597. This increase is mainly due to the fact that District expenditures for new assets of \$15,213,072 exceeded depreciation expense of \$3,436,403.

Table 3 Summarizes the District's capital assets at the end of 2024 as compared to 2023 and 2022.

Table 3 – Capital Assets at Year End

	2024	2023	2022
Land	\$ 256,633	\$ 256,633	\$ 256,633
Transmission and distribution system	167,727,560	159,697,173	148,034,401
Automated meter system	1,672,955	1,672,955	1,663,110
Buildings and improvements	1,985,351	1,985,351	1,985,351
Machinery and equipment	1,754,811	1,474,401	1,503,074
Furniture and fixtures	213,756	213,756	230,798
Rate Study	220,578	220,578	220,578
Construction in progress	10,415,901	3,596,412	1,151,141
Subtotal	184,247,545	169,117,259	155,045,086
Accumulated depreciation	(58,003,559)	(54,647,870)	(51,449,433)
Capital assets, net	<u>\$ 126,243,986</u>	<u>\$ 114,469,389</u>	<u>\$ 103,595,653</u>

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2024 compared to 2023 and 2022.

Table 4 – Outstanding Debt at Year End

	2024	2023	2022
Note payable - KIA	\$ 1,291,475	\$ 1,377,285	\$ 1,460,824
Total	<u>\$ 1,291,475</u>	<u>\$ 1,377,285</u>	<u>\$ 1,460,824</u>

At the end of 2024, the District had \$1,291,475 in outstanding long-term debt compared to \$1,377,285 in 2023 and \$1,460,824 in 2022. This is a decrease of \$85,810 which includes \$85,810 of principal paid on the District's debt during 2024.

All of the required payments were made on the District's outstanding debt during 2024.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2025 projects operating revenues to increase 2.28% while operating expenses are expected to increase approximately 0.59%. Water revenues are projected to increase over the 2024 year due to continued expansion of the water system, new corporate development, and new households being added to the system. Operation expenses are expected to increase due to continued inflationary pressures and increases in employee wages and benefit costs. However, the repairs & maintenance are projected to experience a decrease with the addition of new equipment. This will hopefully offset a portion of the increase in other categories of expense. The increase in operating income is expected to offset the increase in the operating expenses so that there may be a slight decrease in operating loss at the end of 2025. This operating loss is expected to be offset by any capital contributions that the District receives as the system continues to be expanded. The District is considering that they may need to

consider going to the PSC to request an increase in rates due to the continued increases in expenses that are not being offset by increases in revenue.

FINANCIAL CONTACT

This financial report is designed to provide our customers 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 Administrative Office at 2475 Burlington Pike, Burlington, Kentucky 41005.

Harry Anness

Harry Anness, General Manager
Boone County Water District

BOONE COUNTY WATER DISTRICT STATEMENTS OF NET POSITION December 31, 2024 and 2023
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ASSETS

	2024	2023
Current Assets		
Cash and cash equivalents	\$ 2,833,588	\$ 2,279,252
Investments	8,905,236	8,127,775
Reserve for depreciation, investment cash and equivalents	1,969,550	8,652,347
Accounts receivable		
Customers, net of allowance	2,840,000	2,617,096
Others	1,095,974	37,739
Assessments receivable	231,736	217,677
Inventories	546,892	370,587
Prepays	60,236	49,707
Total Current Assets	<u>18,483,212</u>	<u>22,352,180</u>
Restricted Assets		
Debt service account	-	745
Total Restricted Assets	<u>-</u>	<u>745</u>
Capital Assets		
Land, building, transmission system, equipment, and vehicles	173,831,644	165,520,847
Construction in progress	10,415,901	3,596,412
Total utility plant in service	184,247,545	169,117,259
Less accumulated depreciation	(58,003,559)	(54,647,870)
Total Capital Assets, Net	<u>126,243,986</u>	<u>114,469,389</u>
TOTAL ASSETS	<u>144,727,198</u>	<u>136,822,314</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions and OPEB	534,544	717,571
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>534,544</u>	<u>717,571</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>145,261,742</u>	<u>137,539,885</u>

Continued on page 10

BOONE COUNTY WATER DISTRICT STATEMENTS OF NET POSITION - Continued from page 9 December 31, 2024 and 2023
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LIABILITIES

	2024	2023
Current Liabilities		
Accounts payable	1,342,335	1,176,147
Accrued payroll and taxes	416,825	457,710
Deferred revenue on tap ins	148,280	123,680
Customer deposits	293,757	305,354
Total Current Liabilities	2,201,197	2,062,891
Current Liabilities Payable From Restricted Assets		
KIA note payable	88,142	85,810
Accrued interest payable	3,121	3,328
Total Current Liabilities Payable From Restricted Assets	91,263	89,138
Long-Term Obligations		
KIA note payable - KRW	1,203,333	1,291,475
Net unfunded pension and OPEB liability	3,013,394	3,419,054
Total Long-Term Obligations	4,216,727	4,710,529
TOTAL LIABILITIES	6,509,187	6,862,558
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pensions and OPEB	1,380,210	1,705,780
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	7,889,397	8,568,338
NET POSITION		
Net investment in capital assets	124,952,511	113,092,104
Restricted	(3,121)	(2,583)
Unrestricted	12,422,955	15,882,026
TOTAL NET POSITION	\$ 137,372,345	\$ 128,971,547

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

BOONE COUNTY WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For Years Ending December 31, 2024 and 2023
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OPERATING REVENUES	2024	2023
Water revenue	\$ 18,957,886	\$ 17,759,330
Forfeited discounts	277,588	295,931
Other water revenues	49,142	40,522
TOTAL OPERATING REVENUES	19,284,616	18,095,783
OPERATING EXPENSES		
Water purchased	12,672,147	11,920,713
Operation and maintenance expense	5,654,193	4,617,305
Depreciation	3,436,403	3,250,069
TOTAL OPERATING EXPENSES	21,762,743	19,788,087
OPERATING LOSS	(2,478,127)	(1,692,304)
NON-OPERATING INCOME (EXPENSE)		
Interest income	235,227	217,441
Investment income	292,307	390,157
Loss on disposal of assets	(1,147)	-
Net effect of change in pension and OPEB	548,203	362,553
Interest on long-term obligations	(39,116)	(41,560)
NET NON-OPERATING INCOME (EXPENSE)	1,035,474	928,591
NET LOSS	(1,442,653)	(763,713)
CAPITAL CONTRIBUTIONS	9,843,451	12,391,552
CHANGE IN NET POSITION	8,400,798	11,627,839
NET POSITION, JANUARY 1	128,971,547	117,343,708
NET POSITION, DECEMBER 31	\$ 137,372,345	\$ 128,971,547

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

BOONE COUNTY WATER DISTRICT STATEMENTS OF CASH FLOWS For Years Ending December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 17,989,418	\$ 17,867,635
Paid to suppliers for goods and services	(16,613,806)	(14,894,131)
Paid to or on behalf of employees for services	(1,761,062)	(1,589,571)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	(385,450)	1,383,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and sales of investments	(778,015)	839,634
Interest on investments	528,088	442,419
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	(249,927)	1,282,053
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(85,810)	(83,539)
Interest paid on long-term debt	(39,323)	(41,762)
Acquisition and construction of fixed assets	(7,961,093)	(3,276,741)
Contributed capital received	2,591,472	1,518,688
Sale of capital assets	925	-
NET CHANGE IN CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(5,493,829)	(1,883,354)
CHANGE IN CASH AND CASH EQUIVALENTS	(6,129,206)	782,632
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	10,932,344	10,149,712
CASH AND CASH EQUIVALENTS-END OF YEAR	\$ 4,803,138	\$ 10,932,344
RECONCILIATION OF OPERATING INCOME TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (2,478,127)	\$ (1,692,304)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,436,403	3,250,069
Change in operating assets and liabilities		
Increase in receivables	(1,295,198)	(228,148)
Increase in inventories	(176,305)	(115,810)
Increase in prepaid assets	(10,529)	(8,520)
Increase in accounts payable	166,188	118,913
(Decrease) increase in accrued payroll and taxes	(40,885)	39,400
Increase in deferred revenue on tap ins	24,600	30,080
Decrease in customer deposits	(11,597)	(9,747)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (385,450)	\$ 1,383,933
Non-Cash Capital and Related Financing Activities:		
Capital assets contributed to the District	\$ 7,251,979	\$ 10,872,864
Supplemental Information		
Interest paid	\$ (39,323)	\$ (41,762)
Components of Cash on the Statement of Net Position		
Cash and cash equivalents - current	\$ 2,833,588	\$ 2,279,252
Reserve for depreciation, investment cash and cash equivalents	1,969,550	8,652,347
Debt service account - restricted cash and cash equivalents	-	745
	\$ 4,803,138	\$ 10,932,344

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

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Boone County Water District (District) is a water utility, which provides service to residential and commercial customers in Boone County, Kentucky. The District was created by the Boone County Court under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission (“PSC”) pursuant to KRS 278.040.

Basis of Accounting

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) are segregated into “invested in capital assets, net of related liabilities”; “restricted”; and “unrestricted” components.

Assessments Receivable

Assessments that the District has levied on property owners for the extension of water service to their property are recorded as a receivable at the time of the final public hearing.

Allowance for Bad Debts

The District maintained an allowance for bad debts of \$38,500 and \$30,500 for 2024 and 2023, respectively.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgets

In accordance with Kentucky Revised Statute 65A, the District is required to upload a balanced budget on the Kentucky Department of Local Government’s website prior to January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to future periods, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods and is therefore deferred until that time. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred inflows of resources related to pensions and other postemployment benefits.

Distribution System, Building, and Equipment

Property, plant, transmission lines and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the "Non-Operating Income (Expense)" portion of results of operations.

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use at year end are held as "Construction in Progress." When the related asset is ready for use, related costs are transferred to the related asset account.

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and assessments charged to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors. These amounts have been reduced by rebates paid to the contractor for 50 feet of line each time that a new customer taps into the contributed line.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension (expense) gain, 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 the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (expense) gain, 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Income Tax Status

The District is exempt from federal and state income taxes since it is a governmental entity. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sale of fixed assets and interest income.

NOTE 2 – DEPOSITS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the Statement of Net Position as “Cash and Cash Equivalents” and “Restricted Assets”. The balances for Cash and Cash Equivalents were \$4,803,138 and \$10,931,599 at December 31, 2024 and 2023, respectively. The balances for Restricted Assets were \$0 and \$745 at December 31, 2024 and 2023, respectively.

The District’s General Bond Resolution dated October 13, 1992 permits investment of monies in each fund, consistent with the contemplated use of such monies, in investment obligations defined as follows:

- a) Direct obligations of or obligations guaranteed by the United States of America;
- b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than provided in (a) hereof);
- c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the \$250,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of \$250,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest;
- e) General obligations to the Commonwealth of Kentucky;

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

- f) A pool or fund made up entirely of U.S. Government obligations or obligations guaranteed both as to principal and interest by the U.S. Government ; or
- g) Repurchase agreements for U.S. Government Obligations, secured in the same manner as is provided in (d) above for other deposits.

NOTE 3 – INVESTMENTS

Investment obligations are deemed to be part of the fund or account for which they were purchased. Income, interest, gains and losses on an investment obligation are credited or charged to the fund or account for which such an investment obligation was purchased. In the case of the Debt Service Reserve, as long as the aggregate debt service reserve requirement is being maintained, excess income from that fund is to be transferred to the Water Reserve Fund.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements are as follows at December 31, 2024:

Investments	Fair Value	<i>Fair Value Measurements Using</i>		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 4,512,331	\$ 4,512,331	\$ -	\$ -
U.S. agencies (FNMA, etc.)	1,370,078	1,370,078	-	-
Total debt securities	5,882,409	5,882,409	-	-
Equity securities:				
Mutual funds	3,022,827	3,022,827	-	-
Total equity securities	3,022,827	3,022,827	-	-
Subtotal investments	8,905,236	8,905,236	-	-
Cash and Cash Equivalents				
Money market funds	833,789	833,789	-	-
Total investments	\$ 9,739,025	\$ 9,739,025	\$ -	\$ -

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Investments' fair value measurements are as follows at December 31, 2023:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 3,778,777	\$ 3,778,777	\$ -	\$ -
U.S. agencies (FNMA, etc.)	1,583,661	1,583,661	-	-
Total debt securities	5,362,438	5,362,438	-	-
Equity securities:				
Mutual funds	2,765,337	2,765,337	-	-
Total equity securities	2,765,337	2,765,337	-	-
Subtotal investments	8,127,775	8,127,775	-	-
Cash and Cash Equivalents				
Money market funds	1,348,505	1,348,505	-	-
Total investments	\$ 9,476,280	\$ 9,476,280	\$ -	\$ -

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

In accordance with GASB 40, the District had \$0 in bond sinking funds held in investments in federally backed US Treasury Obligations rated AAA/Aaa at December 31, 2024 and 2023, respectively. The market risk on these investments is negligible.

NOTE 4 – RESTRICTED PORTION OF NET POSITION

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted portion of net position. Invested in capital assets, net of related debt consists of all capital assets net of accumulated depreciation and reduced by outstanding debts, that is attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. The unrestricted portion of net position consists of all other assets not included in the above categories.

Included in restricted portion of net position at December 31,

	2024	2023
Debt Service Account	\$ -	\$ 745
Subtotal - Restricted Assets	-	745
Less: non-capital payables to be paid from restricted assets: accrued interest payable	(3,121)	(3,328)
Total Restricted Portion of Net Position	\$ (3,121)	\$ (2,583)

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

NOTE 5 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method as detailed in Note 1. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	5-10 years
Automated meter system	50 years
Transmission lines	50 years
Rate Study	4 years

Asset Type	Balance at December 31, 2023	Additions	Retirements	Balance at December 31, 2024
Land	\$ 256,633	\$ -	\$ -	\$ 256,633
Transmission lines	159,697,173	8,030,387	-	167,727,560
Automated meter system	1,672,955	-	-	1,672,955
Buildings	1,985,351	-	-	1,985,351
Machinery and equipment	1,474,401	363,196	(82,786)	1,754,811
Furniture and fixtures	213,756	-	-	213,756
Rate study	220,578	-	-	220,578
Construction in progress	3,596,412	6,819,489	-	10,415,901
Subtotal	169,117,259	15,213,072	(82,786)	184,247,545
Accumulated depreciation	(54,647,870)	(3,436,403)	80,714	(58,003,559)
Fixed assets, net	<u>\$ 114,469,389</u>	<u>\$ 11,776,669</u>	<u>\$ (2,072)</u>	<u>\$ 126,243,986</u>

NOTE 6 – LONG TERM DEBT

The following is a summary of the District's debt:

Debt type	Balance at December 31 2023	Additions	Principal Payments	Balance at December 31 2024	Current Portion
KIA Loan	\$ 1,377,285	\$ -	\$ (85,810)	\$ 1,291,475	\$ 88,142
Totals	<u>\$ 1,377,285</u>	<u>\$ -</u>	<u>\$ (85,810)</u>	<u>\$ 1,291,475</u>	<u>\$ 88,142</u>

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Note Payable – Kentucky Infrastructure Authority

The District established a note payable related to its acquisition of Rural Water lines from the Boone County Fiscal Court, effective during the year ended 2009. This note payable carries an interest rate of 2.70% and matures on June 1, 2037. District infrastructure assets serve as collateral for this debt. Remaining debt service requirements on this note payable are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2025	2.70%	\$ 88,142	\$ 36,818	\$ 124,960
2026	2.70%	90,538	34,245	124,783
2027	2.70%	92,999	31,602	124,601
2028	2.70%	95,527	28,886	124,413
2029	2.70%	98,124	26,097	124,221
2030-2034	2.70%	532,107	85,924	618,031
2035-2037	2.70%	294,038	12,905	306,943
Totals		<u>\$ 1,291,475</u>	<u>\$ 256,477</u>	<u>\$ 1,547,952</u>

NOTE 7 - COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description – District employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The District has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2023:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	78,810	78,418
Inactive Plan Members	111,086	27,097
Retired Members	70,932	38,679
	<u>260,828</u>	<u>144,194</u>
Number of participating employers		<u>1,148</u>

PENSION PLAN

Benefits provided: The non-hazardous system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

BOONE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

**Tier 1: Retirement Eligibility for Members Whose Participation
Began Before 09/01/2008**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for the next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for the next five years before age 65 or 27 years of service.

**Tier 2: Retirement Eligibility for Members Whose Participation
Began on or After 09/01/2008 but before 01/01/2014**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for the next five years before age 65 or Rule of 87 (age plus years of service).

**Tier 3: Retirement Eligibility for Members Whose Participation
Began On or After 01/01/2014**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	5	None
57	Rule of 87	None

Benefit Formula for Tiers 1 & 2

<u>Final Compensation</u>	<u>X</u>	<u>Benefit Factor</u>	<u>X</u>	<u>Years of Service</u>
Average of the five highest years of compensation if participation began before 09/01/2008.		2.20% if: Member begins participating prior to 08/01/2004.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		2.00% if: Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 if: Member begins participating on or after 08/01/2004 but before 01/01/2014.		

* **Service** (and **Benefit Factor**): **10 years or less** (1.10%); **10 - 20 years** (1.30%); **20 - 26 years** (1.50%); **26 - 30 years** (1.75%)

BOONE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

Benefit Formula for Tier 3						
(A-B) = C X 75% = D, then B+D = Interest						
Measurement Year	A 5 Year Geometric Average Return	B Less Guarantee Rate	C Upside Sharing Interest	D Interest Rate Earned	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Account
2024	7.67%	4.00%	3.67%	2.75%	6.75%	\$ 35,699,000
2023	6.52%	4.00%	2.68%	2.01%	6.01%	\$ 8,761,000

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the greatest of 20% for non-hazardous of final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hybrid account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

Contributions

The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5.00% of their annual creditable compensation. Employees hired on or after September 1, 2008 contribute an additional 1.00% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. 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. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly.

The District contributed 23.34% of covered-employee's compensation (from January – June 2024) of which 23.34% was for the pension fund and 0% was for the health insurance fund and contributed 19.71% of covered-employee's compensation (from July – December 2024), of which 19.71% was for the pension fund and 0.00% was for the health insurance fund.

The District made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$374,672, of which \$374,672 was for the pension fund and \$0 was for the health insurance fund.

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

At December 31, 2024, the District reported a liability of \$3,103,242 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 the June 30, 2024 measurement year, the District's non-hazardous employer allocation proportion was 0.05189% of the total CERS non-hazardous duty employees. For the year ended December 31, 2024, the District recognized a pension benefit of \$306,697 in addition to its \$374,672 pension contribution.

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 150,203	\$ -
Net difference between projected actual earnings on plan investments	-	(199,522)
Changes of assumptions	-	(140,206)
Changes in proportion and differences between contributions and proportionate share of contributions	44,908	(118,126)
Contributions subsequent to the measurement date	177,997	-
	<u>\$ 373,108</u>	<u>\$ (457,854)</u>

The District's contributions subsequent to the measurement date of \$177,997 will be recognized as a reduction of the net pension liability in the year ending December 31, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2025	\$ (153,231)
2026	11,652
2027	(76,698)
2028	(44,466)
2029	-
Thereafter	-
	<u>\$ (262,743)</u>

Basis of Calculations

The System Actuary, Gabriel, Roeder, Smith & Co. (GRS), completed reports by plan in compliance with GASB Statement No. 67 Financial Reporting for Pension Plans. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2023. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Assumptions

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

Changes of Assumptions

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. It is our opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under GASB No. 67.

Discount Rate

A single discount rate of 6.50% for the nonhazardous and hazardous plans was used to measure the total pension liability for the fiscal year ended June 30, 2024. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2024

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2024:

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Mortality	System specific mortality table based on 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.

Plan Target Allocation

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

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit / high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

Sensitivity of the 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%, 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%) or 1-percentage-point higher (7.50%) than the current rate:

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Non-hazardous	\$ 4,000,586	\$ 3,103,242	\$ 2,358,683
Total	\$ 4,000,586	\$ 3,103,242	\$ 2,358,683

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Public Pension Authority under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District only participates in the non-hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
< 4 Years	0.00%

Contributions

The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5.00% of their annual creditable compensation. Employees hired on or after September 1, 2008 contribute an additional 1.00% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. 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. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly.

The District contributed 0% of covered-employee's compensation (from January – June 2024) and contributed 0% of covered-employee's compensation (from July – December 2024) for the health insurance fund. These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (asset). For the year ended December 31, 2024, the District recognized an OPEB gain of \$241,505 in addition to its \$0 OPEB contribution.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2024, the District reported an OPEB asset of \$89,848 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset 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 governmental entities, actuarially determined. At the June 30, 2024 measurement year, the District's proportion of the total non-hazardous plan was 0.05194%. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 49,846	\$ (706,924)
Net difference between projected actual earnings on plan investments	-	(81,992)
Changes of assumptions	81,413	(63,397)
Changes in proportion and differences between contributions and proportionate share of contributions	30,177	(70,043)
Contributions subsequent to the measurement date	-	-
	<u>\$ 161,436</u>	<u>\$ (922,356)</u>

The District's contributions subsequent to the measurement date of \$0 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2025.

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

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

Measurement Year Ending June 30,	Net Deferral
2025	\$ (305,588)
2026	(241,053)
2027	(200,100)
2028	(14,179)
2029	-
Thereafter	-
	<u>\$ (760,920)</u>

Basis of Calculations

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles

Assumptions

Below is a summary of the principal assumptions used for the June 30, 2023 actuarial valuation:

Investment Rate of Return	6.50% for CERS Non-hazardous
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Payroll Growth Rate	2.0% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Change in Assumptions - Plan

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2023. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Discount Rate

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

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2024 and 2023

anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

Single discount rates of 5.99% for the nonhazardous plan and 6.02% for the hazardous plan were used to measure the total OPEB liability for the fiscal year ended June 30, 2024. They 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 ended, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2024

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2024:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Mortality	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12

BOONE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.

Post - 65

Initial trend starting at 9.00% at January 1, 2024, then 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 included into the liability measurement.

Changes of Assumptions - Contributions

The discount rates used to calculate the total OPEB liability (asset) increased from 5.93% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Plan Target Allocation

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

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit /high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.99% for the non-hazardous plan, as well as what the 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease 4.99%	Current Rate 5.99%	1.00% Increase 6.99%
Discount Rate, Non-Hazardous Net OPEB liability, Non-Haz	\$ 121,484	\$ (89,848)	\$ (267,536)
Total	\$ 121,484	\$ (89,848)	\$ (267,536)

BOONE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ (216,162)	\$ (89,848)	\$ 57,300
Total	\$ (216,162)	\$ (89,848)	\$ 57,300

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

NOTE 8 – RELATED PARTY TRANSACTIONS

The District purchases water from the joint Boone-Florence Water Commission (Commission). Two of the District's board members also serve as commissioners on the Boone-Florence Water Commission. The Commission is the District's sole source of wholesale water. The Commission was created in a joint venture with the City of Florence, Kentucky to purchase water from the City of Cincinnati, Ohio. During 2024 and 2023, the District purchased \$12,672,147 and \$11,920,713, respectively. During 2024 and 2023, the District leased office space to the Commission at a cost of \$6,000 per year. The District also provided maintenance services to the Water Commission lines and towers and was reimbursed \$11,464 and \$17,727 for those services during 2024 and 2023, respectively.

NOTE 9 – ECONOMIC DEPENDENCY/CREDIT RISK

Boone County Water District is a government agency operating with one office in Burlington, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Boone County, Kentucky.

NOTE 10 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS IN CURRENT YEAR

Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

Statement No. 101 – *Compensated Absences*

The implementation of these standards had no significant effect on the District during this calendar year.

NOTE 11 – FUTURE ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Implementation in calendar year 2025

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in calendar year 2026

Statement No. 104 – *Disclosure of Certain Capital Assets* – Implementation in calendar year 2026

BOONE COUNTY WATER DISTRICT <i>NOTES TO THE FINANCIAL STATEMENTS</i> December 31, 2024 and 2023
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NOTE 12 – SUBSEQUENT EVENTS

Management has considered subsequent events through May 7, 2025 which represents the date the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2024 through May 7, 2025 to disclose.

BOONE COUNTY WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability (asset)	0.05189%	0.05446%	0.05220%	0.05640%	0.05494%	0.05336%	0.05267%	0.05077%	0.05000%	0.05102%
Proportionate share of the net pension liability (asset)	\$ 3,103,242	\$ 3,494,238	\$ 3,773,184	\$ 3,595,751	\$ 4,213,699	\$ 3,752,792	\$ 3,207,520	\$ 2,971,900	\$ 2,461,715	\$ 2,193,686
Covered employee payroll in year of measurement	\$ 1,238,876	\$ 1,580,765	\$ 1,443,314	\$ 1,442,153	\$ 1,409,158	\$ 1,345,944	\$ 1,305,317	\$ 1,143,696	\$ 1,179,827	\$ 1,151,543
Share of the net pension liability (asset) as a percentage of its covered employee payroll	250.49%	221.05%	261.43%	249.33%	299.02%	278.82%	245.73%	259.85%	208.65%	190.50%
Plan fiduciary net position as a percentage of total pension liability (asset)	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

Schedule of the District's Pension Fund Contributions

County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 374,672	\$ 371,950	\$ 341,145	\$ 282,724	\$ 284,296	\$ 247,340	\$ 205,408	\$ 179,614	\$ 142,047	\$ 150,428
Actual contribution	374,672	371,950	341,145	282,724	284,296	247,340	205,408	179,614	142,047	150,428
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,745,732	\$ 1,579,636	\$ 1,529,116	\$ 1,397,470	\$ 1,437,819	\$ 1,393,882	\$ 1,335,691	\$ 1,238,229	\$ 1,143,696	\$ 1,179,827
Contributions as a percentage of covered employee payroll	21.46%	23.55%	22.31%	20.23%	19.77%	17.79%	15.38%	14.51%	12.42%	12.75%

Notes to Required Supplementary Information
for the Year Ended December 31, 2024

The net pension liability (asset) as of December 31, 2024, is based on the June 30, 2024, actuarial valuation. The changes to the elements of the pension (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 7 in the Notes to the Financial Statements.

BOONE COUNTY WATER DISTRICT MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN-NON-HAZARDOUS Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)

County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net OPEB liability (asset)	0.05194%	0.05446%	0.05219%	0.05638%	0.05492%	0.05335%	0.052660%			
Proportionate share of the net OPEB liability (asset)	\$ (89,848)	\$ (75,184)	\$ 1,029,898	\$ 1,079,443	\$ 1,326,199	\$ 897,239	\$ 935,039			
Covered employee payroll in year of measurement	\$ 1,238,876	\$ 1,580,765	\$ 1,443,314	\$ 1,442,153	\$ 1,409,158	\$ 1,345,944	\$ 1,305,317			
Share of the net OPEB liability (asset) as a percentage of its covered employee payroll	-7.25%	-4.76%	71.36%	74.85%	94.11%	66.66%	71.63%			
Plan fiduciary net position as a percentage of total OPEB liability (asset)	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%			

Schedule of the District's OPEB Fund Contributions

County Employees' Retirement System (CERS)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ 27,090	\$ 69,702	\$ 73,617	\$ 70,116	\$ 69,593	\$ 66,640	\$ 61,453		
Actual contribution	-	27,090	69,702	73,617	70,116	69,593	66,640	61,453		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered employee payroll	\$ 1,745,732	\$ 1,579,636	\$ 1,529,116	\$ 1,397,470	\$ 1,437,819	\$ 1,393,882	\$ 1,335,691	\$ 1,238,229		
Contributions as a percentage of covered employee payroll	0.00%	1.71%	4.56%	5.27%	4.88%	4.99%	4.99%	4.96%		

**Notes to Required Supplementary Information
for the Year Ended December 31, 2024**

The net OPEB liability (asset) as of December 31, 2024, is based on the June 30, 2024, actuarial valuation. The changes to the elements of the OPEB (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 7 in the Notes to the Financial Statements.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**To the Board of Commissioners
Boone County Water District
Burlington, 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 Boone County Water District as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements which collectively comprise Boone County Water District's basic financial statements and have issued our report thereon dated May 7, 2025.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Certified Public Accountants

Erlanger, Kentucky

May 7, 2025