BULLOCK PEN WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ending December 31, 2023 and 2022

BULLOCK PEN WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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BULLOCK PEN WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2023 and 2022

Charles Given, Chair

Andrea Walton, Vice-Chair

Rodger Bingham, Treasurer

William Wethington, Secretary

Bobby Burgess, Commissioner

Of Counsel

Thomas R. Nienaber, Esq.

Administration

Paul Harp, Superintendent

Independent Auditor's Report

To the Board of Commissioners
Bullock Pen Water District
Crittenden, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bullock Pen Water District (District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Bullock Pen 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 Bullock Pen Water District as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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 Bullock Pen 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 opinions.

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 Bullock Pen 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 Bullock Pen 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 Bullock Pen 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 *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB* 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bullock Pen Water District's basic financial statements. The accompanying Schedules of Operations, Maintenance, and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedules of Operations, Maintenance, and Administrative Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024, on our consideration of the Bullock Pen 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 Bullock Pen 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 Bullock Pen Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
April 24, 2024

BULLOCK PEN WATER DISTRICT

1 Farrell Drive
Crittenden, Kentucky 41030

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, 2023. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by $16,319,405, (net position). This was an increase of $798,671 in comparison to the prior year's decrease of $15,189. During 2023, the District's operating revenues increased 9.04% or $413,096 while operating expenses decreased 2.69% or $126,507.
- At the end of the current year, unrestricted net position was $1,450,877.

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.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

Statements of Net Position and Revenues, Expenses and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position, we report the District's activities.

- The District charges rates for water usage based on the water consumption of its customers to cover all or most of the cost of certain services the District provides.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2023, 2022, and 2021.

Table 1
Net Position

	2023	2022	2021
Current assets	$ 3,106,647	$ 3,288,645	$ 3,779,118
Restricted assets	2,249,406	1,976,860	1,748,024
Capital assets, net	16,401,921	16,430,596	16,622,510
Deferred outflows of resources - pension & OPEB contribution	354,059	376,006	573,614
Total Assets and Deferred Outflows of Resources	22,112,033	22,072,107	22,723,266
Current liabilities	419,030	518,715	522,797
Liabilities payable from restricted assets	441,922	551,613	577,599
Long-term liabilities	4,035,151	5,149,194	5,430,645
Deferred inflows of resources - pension & OPEB	896,525	331,851	656,302
Total Liabilities and Deferred Inflows of Resources	5,792,628	6,551,373	7,187,343
Net Position:			
Net investment in capital assets	13,932,620	13,558,709	13,321,775
Restricted	935,908	1,058,587	1,071,710
Unrestricted	1,450,877	903,438	1,142,438
Total Net Position	$ 16,319,405	$ 15,520,734	$ 15,535,923

The District's net position for 2023 increased 5.15% or $798,671, as compared to a .098% or $15,189 decrease in the previous year.

The largest portion of the District's net position (85.4%) 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.

An additional portion of the District's net position (5.7%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

The District's operating revenues increased by $413,096 or 9.04%. Water sales made up the largest portion of this increase which was a combination of more bills than the prior year along with a rate increase during the last quarter of the year. There was also an increase in the management fee charged to the sewer district as a result of renegotiating the contract due to increased wages and supply costs.

Operating Expenses

The District's operating expenses decreased $126,507 or 2.69%. There was a decrease in water costs in the amount of $215,999. This could be due in part to less water being purchased from a couple of vendors that charge a higher cost along with more water being treated. Operation and maintenance expenses increased by $3,842 or .17%. The District increased salary and benefits in order to maintain their competitiveness in the current employment market. The District was able to offset some of the salary increase by restructuring their benefits which resulted in an overall savings to the District. There were increases in several expense categories but much of this was offset by a decrease in materials and supplies.

Net Effect On Change Of Pension and OPEB (Expense) Gain

The District is required to report its proportionate share of the estimated unfunded net pension and OPEB liability (asset) associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a non-operating income, $232,201, is the result of booking the change in the unfunded net liability (asset) and the related deferred inflows and outflows less any amortization of those inflows and outflows between June 30, 2022 and June 30, 2023. This gain increased $221,215 from the amount reported in 2022. See Note 9 to the financial statements for a more complete explanation of this unfunded net liability (asset) and the related deferred inflows and outflows.

Capital Contributions

Capital contributions increased $8,184 and surcharge collections increased $16,297 during 2023. The increase in capital contributions was primarily due to the District receiving $48,656 more in grants than in the previous calendar year. The increase in surcharge collections was due to the fact that the District issued refunds in 2022 on Phase 8 and 10 since these phases had reached their maximum. The District stopped surcharge collections on Phase 5 in October of 2023 since it had reached it's maximum but no refunds needed to be issued on this Phase.

The following schedule compares the revenues and expenses for the current year and the previous two years.

Table 2
Changes in Net Position

	2023	2022	2021
Operating revenues:			
Water sales	$ 4,645,423	$ 4,254,842	$ 4,302,012
Forfeited discounts	77,861	73,293	84,087
Miscellaneous services revenues	37,713	32,381	32,055
Management fee	223,072	210,457	199,605
Total operating revenues	4,984,069	4,570,973	4,617,759
Operating expenses:			
Water purchased	1,574,083	1,790,082	1,856,398
Operation and maintenance expense	2,292,579	2,288,737	1,976,517
Depreciation and amortization	702,823	617,173	614,835
Total operating expenses	4,569,485	4,695,992	4,447,750
Net operating profit (loss)	414,584	(125,019)	170,009
Non-operating income (expenses)			
Investment income	31,907	12,200	13,821
Gain on disposal of assets	916	250	425
Net effect on change in pension gain (expense)	232,201	10,986	(68,894)
Interest on long-term debt	(78,517)	(86,639)	(99,376)
Amortization of bond premium	(765)	(831)	(831)
Net non-operating income (expenses)	185,742	(64,034)	(154,855)
Income (loss) before capital contributions	600,326	(189,053)	15,154
Capital grants and contributions	198,345	173,864	186,794
Change in net position	798,671	(15,189)	201,948
Net position, January 1	15,520,734	15,535,923	15,333,975
Net position, December 31	$ 16,319,405	$ 15,520,734	$ 15,535,923

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023, the District had $16,401,921 invested in capital assets including land, buildings, water treatment, transmission and distribution system, equipment, and vehicles, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of $28,675. This decrease is mainly due to the fact that depreciation expense of $701,190 was more than the cost of new assets purchased during 2023.

Table 3 Summarizes the District's capital assets at the end of 2023 as compared to 2022 and 2021.

Table 3
Capital Assets at Year End

	2023	2022	2021
Land	$ 580,314	$ 230,314	$ 230,314
Buildings and improvements	1,963,521	1,926,241	1,698,724
Construction in progress	154,374	93,408	72,499
Other plant and miscellaneous equipment	796,718	791,431	770,262
Transportation equipment	407,176	332,232	320,435
Transportation and distribution system	26,359,972	26,248,934	26,108,503
Furniture and fixtures	81,555	76,346	76,346
Subtotal	30,343,630	29,698,906	29,277,083
Accumulated depreciation	(13,941,709)	(13,268,310)	(12,654,573)
Capital Assets, net	$ 16,401,921	$ 16,430,596	$ 16,622,510

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2023 compared to 2022 and 2021.

Table 4
Outstanding Debt at Year End

	2023	2022	2021
Bond payable obligations	$ 352,000	$ 386,000	$ 419,000
Notes payable	2,153,038	2,446,055	2,755,920
Capitalized leases	-	72,686	157,792
Total	$ 2,505,038	$ 2,904,741	$ 3,332,712

At year-end, the District had $2,505,038 in outstanding long-term debt compared to $2,904,741 in 2022 and $3,332,712 in 2021. This is a decrease of $399,703 which is the amount of principal paid on the District's debt during 2023.

All of the required payments were made on the District's outstanding debt during 2023.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2024 projects a year very similar to 2023. Water revenues are projected to increase over the 2023 year due to a rate increase. Operation expenses are also expected to increase primarily due to increases in employee wages and benefits. The District did project that there would be slight increases in the cost of supplies and chemicals as there has been a leveling off of price increases by vendors. The increase in operating income is expected to offset the increase in the operating expenses since the District will have a full year of the rate increase that began in October 2023. This should translate to an increase in net position at the end of 2024. This will be a benefit to the District as they are considering a Water Treatment Plant and are in the early stages of this large project.

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 1 Farrell Drive, Crittenden, Kentucky 41030.

Paul Harp

Paul Harp, Superintendent
Bullock Pen Water District

BULLOCK PEN WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 1,346,323	$ 2,407,294
Investments	768,984	-
Accounts receivable		
Customers, net of allowance	700,572	609,703
Other	33,129	28,900
Inventories	215,204	194,851
Prepaids	40,281	45,499
Accrued interest receivable	85	-
Unamortized expenses	2,069	2,398
Total current assets	3,106,647	3,288,645
Restricted assets		
Cash and cash equivalents		
Current reserve fund - USDA Rural Development	153,146	152,916
Debt payment account	768,514	600,748
Maintenance and replacement reserve	891,372	828,458
FSA account	6,829	6,915
Customer deposits	424,667	379,877
Accounts receivable - surcharges	4,878	7,946
Total restricted assets	2,249,406	1,976,860
Capital assets		
Land, building, transmission system, equipment, and vehicles	30,189,256	29,605,498
Construction in progress	154,374	93,408
Total utility plant in service	30,343,630	29,698,906
Less: accumulated depreciation	(13,941,709)	(13,268,310)
Total capital assets, net of depreciation	16,401,921	16,430,596
Total assets	21,757,974	21,696,101
Deferred outflow of resources		
Unamortized debt discounts	2,654	3,091
Unamortized tap-in expense	27,351	28,984
Deferred outflows related to pensions and OPEB	324,054	343,931
Total deferred outflow of resources	354,059	376,006
Total assets and deferred outflow of resources	22,112,033	22,072,107

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

(Continued on Page 12)

BULLOCK PEN WATER DISTRICT
STATEMENTS OF NET POSITION (Continued from Page 11)
December 31, 2023 and 2022

	2023	2022
Liabilities		
Current liabilities		
Accounts payable	149,856	219,262
Accrued and withheld liabilities	269,174	299,453
Total current liabilities	419,030	518,715
Current liabilities payable from restricted assets		
Revenue bonds - current portion	37,000	34,000
Notes payable - current portion	260,292	293,017
Lease obligations - current portion	-	72,686
Customer deposits	133,707	139,723
Accrued interest payable	10,923	12,187
Total current liabilities payable from restricted assets	441,922	551,613
Long-term obligations		
Bonds	315,000	352,000
Notes payable	1,892,746	2,153,038
Net unfunded pension and OPEB liability	1,827,405	2,644,156
Total long-term obligations	4,035,151	5,149,194
Total liabilities	4,896,103	6,219,522
Deferred inflow of resources		
Deferred inflows related to pensions and OPEB	896,525	331,851
Total liabilities and deferred inflow of resources	5,792,628	6,551,373
Net position		
Net investment in capital assets	13,932,620	13,558,709
Restricted	935,908	1,058,587
Unrestricted	1,450,877	903,438
Total net position	$ 16,319,405	$ 15,520,734

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

BULLOCK PEN WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending December 31, 2023 and 2022

	2023	2022
Operating revenues		
Water revenue	$ 4,760,997	$ 4,360,516
Management fees	223,072	210,457
Total operating revenues	4,984,069	4,570,973
Operating expenses		
Water purchased	1,574,083	1,790,082
Operations, maintenance, and administrative expenses	2,292,579	2,288,737
Depreciation and amortization	702,823	617,173
Total operating expenses	4,569,485	4,695,992
Operating income (loss)	414,584	(125,019)
Non-operating income (expense)		
Investment income	31,907	12,200
Gain on sale of capital assets	916	250
Net effect on change of pension and OPEB	232,201	10,986
Interest on long-term obligations	(78,517)	(86,639)
Amortization of bond discounts	(765)	(831)
Net non-operating income (expense)	185,742	(64,034)
Net gain (loss)	600,326	(189,053)
Capital contributions	198,345	173,864
Change in net position	798,671	(15,189)
Net position, January 1	15,520,734	15,535,923
Net position, December 31	$ 16,319,405	$ 15,520,734

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

BULLOCK PEN WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending December 31, 2023 and 2022

	2023	*(Reclassified)* 2022
Cash flows from operating activities		
Received from customers	$ 4,888,971	$ 4,579,126
Paid to suppliers for goods and services	(2,516,963)	(2,606,894)
Paid to or on behalf of employees for services	(1,464,519)	(1,437,089)
Net change in cash for operating activities	907,489	535,143
Cash flows from investing activities		
Purchase of investments	(750,000)	-
Proceeds from investments	-	214,225
Interest received on investments	12,838	13,293
Net change in cash for investing activities	(737,162)	227,518
Cash flows from capital and related financing activities		
Contributed capital received	198,345	173,864
Acquisition and construction of capital assets	(672,650)	(423,626)
Proceeds from sale of capital assets	1,051	250
(Decrease) increase in customer deposits	(6,016)	3,577
Interest paid on long term debt	(79,779)	(87,937)
Principal paid on long term debt	(399,703)	(427,971)
Decrease in restricted accounts receivable - surcharges	3,068	2,628
Net change in cash for capital and related financing activities	(955,684)	(759,215)
Change in cash and cash equivalents	(785,357)	3,446
Cash and cash equivalents-beginning of year	4,376,208	4,372,762
Cash and cash equivalents-end of year	$ 3,590,851	$ 4,376,208
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income (loss)	$ 414,584	$ (125,019)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	702,823	617,173
Change in operating assets and liabilities		
(Increase) decrease in receivables	(95,098)	8,153
(Increase) decrease in inventories	(20,353)	47,899
Decrease (increase) in prepaid assets	5,218	(8,981)
(Decrease) increase in accounts payable	(69,406)	47,810
Decrease in other accrued liabilities	(30,279)	(51,892)
Net cash provided by operating activities	$ 907,489	$ 535,143
Supplemental information		
Interest paid	$ 79,779	$ 87,937
Reconciliation of cash and cash equivalents to the Statement of Net Position		
Cash and cash equivalents - current	$ 1,346,323	$ 2,407,294
Cash and cash equivalents - restricted	2,244,528	1,968,914
Cash and cash equivalents, December 31, 2023	$ 3,590,851	$ 4,376,208

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

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Bullock Pen Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky. The District was created by the Grant County Fiscal Court under the provisions of chapter 74 of the Kentucky Revised Statutes (KRS) in 1957.

<u>Regulatory Requirements</u>
The District is subject to the regulatory authority of the Kentucky Public Service Commission (PSC) pursuant to KRS 278.040.

<u>Basis of Accounting</u>
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. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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.

<u>Cash Equivalents</u>
For purposes of the balance sheets and the statements 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.

<u>Budgets</u>
In accordance with Kentucky Revised Statute 65A, the District is required to upload a balanced budget to the Kentucky Department of Local Government website by 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.

<u>Inventories</u>
Inventories are stated at the lower of cost or market. 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 asset under construction is ready for use, related costs are transferred to the asset account. The Construction in Progress account was $154,375 and $93,408 at December 31, 2023 and 2022, respectively.

Miscellaneous Deferred Charges
Bond premiums and discounts are deferred and amortized over the life of the bond. The District amortizes expenses related to tapping into the Northern Kentucky Water District. The District also amortizes costs associated with the preparation, filing, and completion of its rate case proceedings.

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 other contributions to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors.

During 2023 and 2022 these contributions consisted of the following:

Source	2023	2022
Tap in fees and construction costs paid by new customers	$ 96,528	$ 137,000
Grants	53,656	5,000
Surcharges - Phases 5, 6, 8, and 10	48,161	31,864
Total income received in aid of construction	198,345	173,864
Waterlines and related infrastructure received without cost	-	-
Total capital contributions	$ 198,345	$ 173,864

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.

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, sales of fixed assets and interest income.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking accounts and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statements of net position as “Cash and Cash Equivalents,” “Certificates of Deposit,” and “Restricted Assets”. The balances for “Cash and Cash Equivalents” were $1,346,323 and $2,407,294 at December 31, 2023 and 2022, respectively. The balances for “Certificates of Deposit” were $768,984 and $0 at December 31, 2023 and 2022, respectively. The balances for “Restricted Assets,” net of accounts receivable - surcharges were $2,244,528 and $1,968,914 at December 31, 2023 and 2022, respectively. The District has amounts on deposit with two banks in excess of FDIC insured amounts. The banks have pledged collateral agreements to cover such excess amounts. At December 31, 2023, all amounts held on deposit by the District were sufficiently collateralized.

Investments are reported at fair value which is determined using the selected basis. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair market value.

The District's investments are categorized to give an indication of the level of risk assumed by the District at December 31, 2023 and 2022. The categories are described as follows:

Category 1 – Insured and registered, with securities held by the entity or its agent in the entity's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name;

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

The District's investments at December 31, 2023 are as follows:

At December, 31, 2023	Category 1	Category 2	Category 3	Fair Value/ Carrying Cost	Cost
Operation and maintenance	$ 1,353,151	$ -	$ -	$ 1,353,151	$ 1,353,151
Customer deposits	424,667	-	-	424,667	424,667
Debt payment accounts	712,173	-	56,341	768,514	768,514
Current and replacement reserve	1,044,518	-	-	1,044,518	1,044,518
Total	$ 3,534,509	$ -	$ 56,341	$ 3,590,850	$ 3,590,850

The District's investments at December 31, 2022 are as follows:

At December, 31, 2022	Category 1	Category 2	Category 3	Fair Value/ Carrying Cost	Cost
Operation and maintenance	$ 2,414,209	$ -	$ -	$ 2,414,209	$ 2,414,209
Customer deposits	379,877	-	-	379,877	379,877
Debt payment accounts	548,390	-	52,359	600,749	600,749
Current and replacement reserve	981,374	-	-	981,374	981,374
Total	$ 4,323,850	$ -	$ 52,359	$ 4,376,209	$ 4,376,209

NOTE 3 – RESTRICTED NET POSITION

Net position is comprised of 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 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 are attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets, net of related liabilities, 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, net of related liabilities, not included in the above categories.

The following amounts are included in restricted net position at December 31, 2023 and 2022:

	2023	2022
Current reserve fund - USRDA	$ 143,400	$ 143,400
Debt payment account	158,618	144,200
Customer deposits - current	155,312	155,312
Account receivable - surcharge	1,208	1,320
Accrued interest payable	(6,570)	(7,185)
Portion of bonds payable	(37,000)	(34,000)
Maintenance and replacement	520,940	655,540
Total restricted net position	$ 935,908	$ 1,058,587

NOTE 4 – 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. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. 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	10-50 years
Furniture and fixtures	3-10 years
Machinery and equipment	5-25 years
Transportation equipment	3-13 years
Transmission lines and distribution systems	50 years

The capital asset balances at December 31, 2023 and 2022 are as follows:

Asset Type	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023
Land	$ 230,314	$ 350,000	$ -	$ 580,314
Buildings and improvements	1,926,241	37,280	-	1,963,521
Construction in progress	93,408	60,966	-	154,374
Distribution reservoirs and standpipes	3,926,053	-	-	3,926,053
Furniture and fixtures	76,346	5,209	-	81,555
Hydrants	1,295,225	3,343	-	1,298,568
Meter system and installation	4,724,721	105,195	-	4,829,916
Other plant equipment	675,027	5,287	-	680,314
Transmission mains	16,302,935	2,500	-	16,305,435
Transportation equipment	332,232	102,870	(27,926)	407,176
Water treatment equipment	116,404	-	-	116,404
Subtotal	29,698,906	672,650	(27,926)	30,343,630
Accumulated depreciation	(13,268,310)	(701,190)	27,791	(13,941,709)
Capital Assets, net	$ 16,430,596	$ (28,540)	$ (135)	$ 16,401,921

NOTE 5 – BONDED INDEBTEDNESS

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 8
On October 19, 2005, the District sold $514,000 of revenue bonds for the purpose of funding its Phase 8 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	4.34%	$ 23,000	$ 9,581	$ 32,581
2025	4.39%	25,000	8,533	33,533
2026	4.44%	26,000	7,407	33,407
2027	4.465%	28,000	6,205	34,205
2028	4.465%	28,000	4,955	32,955
2029-2031	4.490-4.590%	95,000	6,617	101,617
Totals		$ 225,000	$ 43,298	$ 268,298

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 10
On October 19, 2005, the District sold $290,000 of revenue bonds for the purpose of funding its Phase 10 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	4.34%	$ 14,000	$ 5,384	$ 19,384
2025	4.39%	14,000	4,773	18,773
2026	4.44%	15,000	4,133	19,133
2027	4.465%	15,000	3,465	18,465
2028	4.465%	16,000	2,773	18,773
2029-2031	4.490-4.590%	53,000	3,687	56,687
Totals		$ 127,000	$ 24,215	$ 151,215

NOTE 6 – NOTES PAYABLE

Kentucky Infrastructure Authority - Drinking Water Supply Project 2002
On February 1, 2002, the District signed a note from the Kentucky Infrastructure Authority for $350,367 to fund waterline replacement and extension projects. Water system revenues serve as collateral for this loan. The note carries an interest rate of 3.80% and matures on December 1, 2022. Final payment was made in 2022.

Kentucky Infrastructure Authority - Drinking Water Supply Project 2003
On November 1, 2003, the District signed a note from the Kentucky Infrastructure Authority for $1,210,604 to fund waterline extension projects and the Mt. Zion water tank installation. Water system revenues serve as collateral for this loan. The note carries an interest rate of 3.0% and matures on June 1, 2024. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	3.00%	$ 39,956	$ 600	$ 40,556
Totals		$ 39,956	$ 600	$ 40,556

Kentucky Infrastructure Authority – Drinking Water Supply Project 2010
During 2009, the District executed a drawdown loan with the Kentucky Infrastructure Authority for $2,192,700 to finance the Phase 6 waterline extension project. The final draw on this loan was taken on February 15, 2011. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 3.0% and matures on December 1, 2030. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	3.00%	$ 119,903	$ 26,688	$ 146,591
2025	3.00%	123,527	23,064	146,591
2026	3.00%	127,260	19,331	146,591
2027	3.00%	131,107	15,484	146,591
2028	3.00%	135,069	11,523	146,592
2029-2030	3.00%	282,509	10,674	293,183
Totals		$ 919,375	$ 106,764	$ 1,026,139

Kentucky Infrastructure Authority – Drinking Water State Revolving Loan Fund 2012
During 2012, the District executed a drawdown loan with the Kentucky Infrastructure Authority for $1,796,300 to finance the Phase 12 500,000 gallon water tower storage tank. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 2.0% and matures on June 1, 2034. The final draw on this loan was deposited on October 23, 2014. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	2.00%	$ 89,226	$ 20,189	$ 109,415
2025	2.00%	91,020	18,395	109,415
2026	2.00%	92,849	16,566	109,415
2027	2.00%	94,716	14,699	109,415
2028	2.00%	96,619	12,796	109,415
2029-2033	2.00%	513,021	34,054	547,075
2034	2.00%	54,166	539	54,705
Totals		$ 1,031,617	$ 117,238	$ 1,148,855

Kentucky Infrastructure Authority - Drinking Water State Revolving Loan Fund 2015
On September 10, 2015, the District executed a drawdown loan with the Kentucky Infrastructure Authority in order to finance its Phase 14 looped lines. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 1.75% and matures on June 1, 2036. The final draw on this loan was deposited on August 25, 2016. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	1.75%	$ 11,207	$ 2,788	$ 13,995
2025	1.75%	11,404	2,591	13,995
2026	1.75%	11,605	2,390	13,995
2027	1.75%	11,808	2,187	13,995
2028	1.75%	12,016	1,979	13,995
2029-2033	1.75%	63,323	6,651	69,974
2034-2036	1.75%	40,728	1,255	41,983
Totals		$ 162,091	$ 19,841	$ 181,932

NOTE 7 – CAPITAL LEASES

<u>BB&T - 2013</u>
On October 29, 2013, the District signed a capital lease agreement with BB&T for $769,465, which served to relinquish the District's obligations on its December 28, 1978 bond debt through the U.S. Department of Agriculture and its May 15, 2002 Series 2001C – Surcharge and Series 2001C – Phase V bond debt through the Kentucky Rural Water Finance Corporation. The interest rate is fixed at 2.80%. Principal and interest payments are due on the twenty-ninth day of each month beginning November 29, 2013 and ending October 29, 2023. Final payment was made in 2023.

NOTE 8 – INDEBTEDNESS SUMMARY

The changes in long-term indebtedness for 2023 are as follows:

Debt Instrument	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023
KRW series 2005B bonds - Phase 8	$ 247,000	$ -	$ (22,000)	$ 225,000
KRW series 2005B bonds - Phase 10	139,000	-	(12,000)	127,000
Note payable - KIA 2003	118,107	-	(78,150)	39,957
Construction loan - KIA	1,035,759	-	(116,385)	919,374
Construction loan -Phase 12 - KIA	1,119,085	-	(87,468)	1,031,617
Note payable - KIA 2015	173,104	-	(11,014)	162,090
Capital lease - BB&T	72,686	-	(72,686)	-
Subtotal	2,904,741	$ -	$ (399,703)	2,505,038
Less: current portion of long-term debt	(399,703)			(297,292)
Total Long-Term Indebtedness	$ 2,505,038			$ 2,207,746

NOTE 9 - 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 Statue ("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, 2022:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	77,849	76,946
Inactive Plan Members	105,707	28,719
Retired Members	68,889	37,584
	252,445	143,249
Number of participating employers		1,144

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of 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
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of 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 health insurance benefits 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.

Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

Contributions

The District contributed 26.79% of covered-employee's compensation (from January – June 2023) of which 23.40% was for the pension fund and 3.39% was for the health insurance fund and contributed 23.34% of covered-employee's compensation (from July – December 2023), of which 23.34% 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 $220,268, of which $204,982 was for the pension fund and $15,286 was for the health insurance fund.

Pension Liabilities (Assets), Pension (Expense) Gain, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the District reported a liability of $1,867,589 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability (asset) 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, 2023 measurement year, the District 's non-hazardous employer allocation proportion was 0.02911% of the total CERS non-hazardous duty employees. For the year ended December 31, 2023, the District recognized a pension gain of $120,854 in addition to its $204,982 pension contribution.

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ 96,681	$ (5,075)
Net difference between projected actual earnings on plan investments	-	(25,474)
Changes of assumptions	-	(171,166)
Changes in proportion and differences between contributions and proportionate share of contributions	14,074	(36,345)
Contributions subsequent to the measurement date	99,468	-
	$ 210,223	$ (238,060)

The District's contributions subsequent to the measurement date of $99,468 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2024.

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

Measurement Year Ending June 30,	Net Deferral
2024	$ (87,209)
2025	(63,707)
2026	41,692
2027	(18,081)
2028	-
Thereafter	-
	$ (127,305)

Actuarial Methods and Assumptions for Determining the Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability (asset), net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Changes of Assumptions

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability(Asset) as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans in determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under *GASB No. 68*.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Nonhazardous
Investment Rate of Return	6.50% for CERS Nonhazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining 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%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

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:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Non-hazardous	$ 2,357,944	$ 1,867,589	$ 1,460,086
Total	$ 2,357,944	$ 1,867,589	$ 1,460,086

<u>HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS</u>

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The District contributed 3.39% of covered-employee’s compensation (from January – June 2023) and contributed 0.00% of covered-employee’s compensation (from July – December 2023) 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. For the year ended December 31, 2023, the District recognized an OPEB gain of \$111,347 in addition to its \$15,286 OPEB contribution.

OPEB Liabilities (Assets), OPEB (Expense) Gain, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2023, the District reported an asset of \$40,184 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, 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, 2023 measurement year, the District's proportion of the total non-hazardous plan was 0.02911%.

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	$ 28,015	$(570,577)
Net difference between projected actual earnings on plan investments	-	(9,326)
Changes of assumptions	79,080	(55,111)
Changes in proportion and differences between contributions and proportionate share of contributions	6,736	(23,451)
Contributions subsequent to the measurement date	-	-
	$ 113,831	$(658,465)

The District's contributions subsequent to the measurement date, $0 for non-hazardous duty employees will be recognized as a reduction of the net OPEB asset in the year ending December 31, 2024.

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

Measurement Year Ending June 30,	Net Deferral
2024	$ (136,302)
2025	(169,015)
2026	(130,376)
2027	(108,941)
2028	-
Thereafter	-
	$ (544,634)

Actuarial Methods and Assumptions to Determine the Net OPEB Liability (Asset)

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability (asset), net OPEB liability (asset), and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability (asset) was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous
Initial Rate of Return	
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.
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 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability (Asset) as of June 30, 2023, is determined using these updated assumptions.

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

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability (asset) of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability (asset) as of June 30, 2023, for the nonhazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining 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%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	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.

Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability (asset) as of June 30, 2023, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability (asset) increased from 5.70% to 5.93%. 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 more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

Single discount rates of 5.93% for CERS Nonhazardous were used to measure the total OPEB liability (asset) as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. 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 future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

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

The following presents the proportionate share of the net OPEB liability (asset) calculated using the discount rates of 5.93% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability (asset) 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 (Asset)		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.93%	5.93%	6.93%
Net OPEB liability (asset), Non-Haz	$ 75,411	$ (40,184)	$ (136,981)
Total	$ 75,411	$ (40,184)	$ (136,981)

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

The following presents the proportionate share of the net OPEB liability (asset), as well as what the proportionate share of the net OPEB liability (asset) 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:

	Proportionate Share of Net OPEB Liability (Asset)		
Healthcare cost trend rate	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability (asset), non-hazardous	$ (128,798)	$ (40,184)	$ 68,669
Total	$ (128,798)	$ (40,184)	$ 68,669

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 10 – KENTUCKY PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY

During 1999, the District approved employee participation in a deferred compensation plan administered by the Kentucky Public Employees' Deferred Compensation Authority (Authority). The Authority is authorized under KRS 18A.230-18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school, and university employees and employees of local political subdivisions that have elected to participate. The District has elected to participate in Plan II, authorized under Section 401(k) of the United States Internal Revenue Code. The plan is funded 100% by payroll deductions from those employees who have elected to participate. The District makes the payroll deduction and then forwards the funds to the Authority.

NOTE 11 – RELATED PARTY TRANSACTIONS

The staff of the Bullock Pen Water District operates the Grant County Sewer District as well. The District receives a management fee from the Grant County Sewer District for these services. This fee was $223,072 and $210,457 in 2023 and 2022, respectively. The District has $25,686 and $22,945 in accounts receivable from Grant County Sanitary Sewer District at December 31, 2023 and 2022, respectively. The Chairman of the Board of Commissioners and two other commissioners of the District serve on the boards of both the Bullock Pen Water District and the Grant County Sewer District.

NOTE 12 – ECONOMIC DEPENDENCY/CREDIT RISK

Bullock Pen Water District is a government agency operating with one office in Crittenden, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky.

NOTE 13 – CONCENTRATIONS

The District has agreements to purchase water from the cities of Walton and Williamstown, Kentucky, the Northern Kentucky Water District, and the Boone County Water District.

NOTE 14 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS IN CURRENT YEAR

Statement No. 91 – *Conduit Debt Obligations*

Statement No. 99 – *Omnibus 2022*

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

NOTE 15 – FUTURE ACCOUNTING STANDARDS

Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62* – Implementation in calendar year 2024

Statement No. 101 – *Compensated Absences* – Implementation in calendar year 2024

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

NOTE 16 – RECLASSIFICATION OF PRIOR YEAR FINANCIAL STATEMENTS

The District has reclassified the cash and cash equivalents amounts on the Statement of Cash Flows for fiscal year 2022. The District now reconciles to the total amount for both unrestricted and restricted cash and cash equivalents. The breakdown of these amounts is disclosed at the bottom of the Statement of Cash Flows. There was no change to the total net position of the District as a result of this reclassification.

NOTE 17 – SUBSEQUENT EVENTS

Management has considered subsequent events through April 24, 2024, which represents the date financial statements were available to be issued. The District did not have any events subsequent to December 31, 2023 through April 24, 2024 to disclose.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset)	0.02911%	0.02873%	0.03047%	0.03030%	0.02962%	0.02981%	0.02981%	0.029140%	0.000286%	
Proportionate share of the net pension liability (asset)	$ 1,867,589	$ 2,077,185	$ 1,942,702	$ 2,324,062	$ 2,083,117	$ 1,831,050	$ 1,744,695	$ 1,434,946	$ 1,230,260	
Covered payroll in year of measurement (July - June)	$ 844,812	$ 794,244	$ 774,035	$ 780,408	$ 747,119	$ 745,154	$ 725,718	$ 695,170	$ 657,389	
Share of the net pension liability (asset) as a percentage of its covered payroll	221.07%	261.53%	250.98%	297.80%	278.82%	245.73%	240.41%	206.42%	187.14%	
Plan fiduciary net position as a percentage of total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	55.50%	59.97%	66.80%	

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 204,982	$ 179,653	$ 153,285	$ 152,767	$ 135,077	$ 115,310	$ 101,240	$ 82,800	$ 85,431	$ 89,218
Actual contribution	$ 204,982	$ 179,653	$ 153,285	$ 152,767	$ 135,077	$ 115,310	$ 101,240	$ 82,800	$ 85,431	$ 89,218
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll in District's fiscal year (Jan. - Dec.)	$ 877,083	$ 807,126	$ 757,304	$ 791,539	$ 759,365	$ 751,353	$ 738,397	$ 702,547	$ 681,485	$ 658,224
Contributions as a percentage of covered payroll	23.37%	22.26%	20.24%	19.30%	17.79%	15.35%	13.71%	11.79%	12.54%	13.55%

Notes to Required Supplementary Information
for the Year Ended December 31, 2023

The net pension liability (asset) as of December 31, 2023, is based on the June 30, 2023, 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 9 in the Notes to the Financial Statements.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability (asset)	0.029110%	0.028730%	0.030460%	0.030293%	0.029610%	0.030060%				
Proportionate share of the net OPEB liability (asset)	$ (40,184)	$ 566,971	$ 583,199	$ 731,460	$ 498,044	$ 533,780				
Covered payroll in year of measurement (July - June)	$ 844,812	$ 794,244	$ 774,035	$ 780,408	$ 747,119	$ 745,154				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.76%	71.38%	75.35%	93.73%	66.66%	71.63%				
Plan fiduciary net position as a percentage of total OPEB liability	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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 15,286	$ 37,238	$ 39,934	$ 37,677	$ 38,010	$ 37,410	$ 36,647			
Actual contribution	$ (15,286)	$ (37,238)	$ (39,934)	$ (37,677)	$ (38,010)	$ (37,410)	(36,647)			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll in District's fiscal year (Jan. - Dec.)	$ 877,083	$ 807,126	$ 757,304	$ 791,539	$ 759,365	$ 751,353	$ 738,397			
Contributions as a percentage of covered payroll	1.74%	4.61%	5.27%	4.76%	5.01%	4.98%	4.96%			

Notes to Required Supplementary Information
for the Year Ended December 31, 2023

The net OPEB liability (asset) as of December 31, 2023, is based on the June 30, 2023, 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 9 in the Notes to the Financial Statements.

BULLOCK PEN WATER DISTRICT
SCHEDULES OF OPERATIONS, MAINTENANCE AND ADMINISTRATIVE EXPENSES
For the Years Ending December 31, 2023 and 2022

	2023	2022
Operations, maintenance and administrative expenses		
Salaries and wages - employees	$ 910,814	$ 829,425
Employee pension and benefits	510,426	542,072
Advertising	322	1,605
Bad debt expense	32,598	32,618
Chemicals	97,838	87,327
Commissioners' fees	13,000	13,700
Contractual services - accounting	54,811	56,737
Contractual services - engineering	3,735	6,373
Contractual services - legal	31,515	22,585
Contractual services - management	1,274	1,262
Contractual services - water test	18,186	14,724
Contractual services - other	92,427	147,540
Insurance - general liability	23,269	22,409
Insurance - other	4,752	1,580
Insurance - vehicle	12,437	10,442
Insurance - workers' compensation	7,006	8,427
Materials and supplies	258,786	268,117
Miscellaneous	675	1,087
Payroll taxes	66,884	63,374
Purchased power	100,394	107,270
Rental of property and equipment	4,558	4,044
Transportation	40,921	39,125
Utility regulatory assessment	5,951	6,894
Total operations, maintenance and administrative expenses	$ 2,292,579	$ 2,288,737

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
Bullock Pen Water District
Crittenden, 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 Bullock Pen Water District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Bullock Pen Water District's basic financial statements, and have issued our report thereon dated April 24, 2024.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Bullock Pen 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 Bullock Pen Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bullock Pen 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 any deficiencies in internal control that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bullock Pen Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. Noncompliance 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.

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Chamberlin Owen
Certified Public Accountants

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
April 24, 2024