

CARROLL COUNTY WATER DISTRICT NO. 1

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

At December 31, 2023 and 2022

**CARROLL COUNTY WATER DISTRICT NO. 1
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORTS**

Years Ended December 31, 2023 and 2022

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Fund Net Position	10
Statement of Cash Flows	11-12
Notes to Basic Financial Statements	13-32
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability – County Employees Retirement System	33
Schedule of the District's Contributions (Pension) – County Employees Retirement System	34
Schedule of the District's Proportionate Share of the Net OPEB Liability – County Employees Retirement System	35
Schedule of the District's Contributions (OPEB) - County Employees Retirement System	36
Notes to Required Supplementary Information	37-40
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 <u>Government Auditing Standards</u>	41-42
Schedule of Findings and Responses	43-44

RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

P.O. Box 354 • 513 Highland Ave • Carrollton, KY 41008
502-732-6655 • taxes@rzwcpas.com

Dennis S. Raisor, CPA
Jerilyn P. Zapp, CPA
Jeffery C. Woods, CPA
Susan A. Dukes, CPA

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Carroll County Water District No. 1
Ghent, Kentucky 41045

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Carroll County Water District No. 1 as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Carroll County Water District No. 1'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 financial position of the Carroll County Water District No. 1, 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 Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Carroll County Water District No. 1'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County Water District No. 1'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 Carroll County Water District No. 1'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 required supplementary information listed in the table of contents on pages 3 through 8, and pages 33 through 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024, on our consideration of the Carroll County Water District No. 1'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 Carroll County Water District No. 1'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 Carroll County Water District No. 1's internal control over financial reporting and compliance.

Raisor, Zapp & Woods PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

June 12, 2024

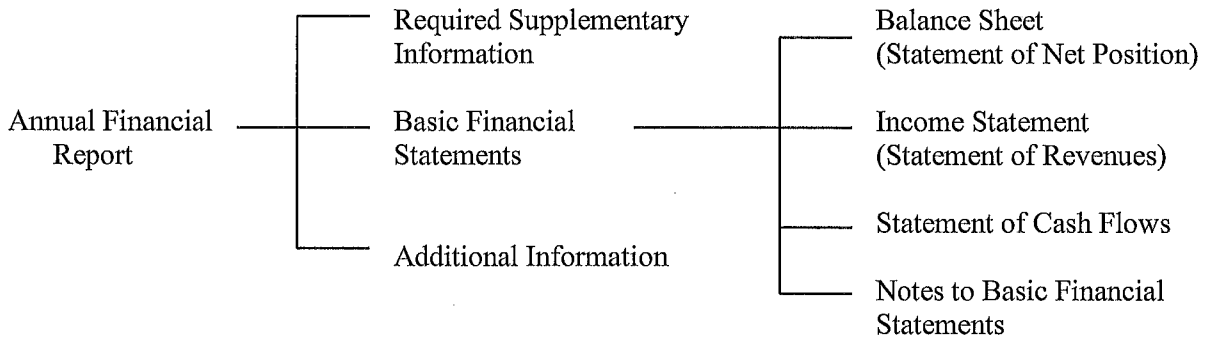


MANAGEMENT’S DISCUSSION AND ANALYSIS

This Discussion and Analysis of Carroll County Water District #1 financial performance provides an overview of the District’s financial activities for the fiscal year ending December 31, 2023. It should be read in conjunction with the District’s financial statements and supplementary information.

Financial Statements Overview

This annual financial report consists of three major parts: required supplementary information, basic financial statements, and supplementary information. Included with the financial statement are notes that explain in more detail some of the information in the financial statements. Additional to these notes is a section of supplementary information in support of the information in the financial statements. The figure below illustrates how the annual financial report is arranged.



The Balance Sheet or Statement of Net Position includes all the District’s assets and liabilities and provides a basis for evaluating the overall health and financial flexibility of the District.

The Income Statement or the Statement of Revenues, Expenses, and Changes in Fund Net Position accounts for all the current year’s revenues and expenses. This statement is a ready reflection of the success of the District’s operations over the past year and shows at a glance whether or not the District has recovered all of its costs through its water rates and other charges.

The Statement of Cash Flows’ primary purpose is to provide information about the District’s cash receipts, payments, net changes in cash resulting from its operations, investing activities and financing activities; and provides further information on the sources and uses of cash and the changes in the cash balances during the operating year.

Financial Highlights

- Total assets increased by \$11,351 to \$12,508,734 in 2023. This increase is explained by an increase in cash.
- Operating Revenues increased by \$171,169 or 8.2% to \$2,253,639 in 2023 due to higher revenues from water sales. This is the first full year of increased rates that went into effect in the middle of 2022. A decrease by \$24,140 or 48.3% to \$25,838 in collection on Reconnect and Disconnect fees because Kentucky PSC required CCWD to eliminate the recovered cost on labor when performing these services.
- Operating Expenses were up \$144,053 in 2023 when compared to 2022. This increase is due largely to higher costs associated with operating labor, higher cost of maintenance, and a modest increase in depreciation.

Financial Highlights (Continued)

- Net Income before Capital Contributions for 2023 as compared to the previous year was up \$76,232. This is primarily due to higher operating income in 2023 when compared to the previous year and an increase in nonoperating income due to higher investment income and lower interest expense.
- The actuarial valuation was completed by Gabriel Roeder Smith (GRS) for the Commonwealth of Kentucky’s County Employees’ Retirement System (CERS) to estimate the liability of the retirement system for its members. Based on the calculations, CCWD had an increased profit from the previous (2022) year of \$83,846

Statement of Net Position

Capital additions during 2023 were \$118,477. These additions plus other [net] increases to other asset categories were less than the depreciation expense of \$388,357 for the year resulting in a \$269,880 decrease in total assets when compared to the prior year.

	2023	2022	2021	Difference 23-22	%
Utility Plant (Cap. Assets)	\$8,252,207	\$8,522,087	\$8,655,961	(\$269,880)	(3.2)
Current Assets	\$1,795,524	\$1,536,148	\$1,573,807	\$259,376	16.9
Other Non-Current Assets	\$2,461,003	\$2,439,148	\$2,137,235	\$21,855	0.9
Total Assets	\$12,508,734	\$12,497,383	\$12,367,003	\$11,351	0.1

Deferred Outflows/Inflows of Resources

- This MD&A is the eighth to deal specifically with CERS retirement liability and the sixth for health insurance (OPEB) liability. The District must plan to be prepared to assume liability for the pension plan that historically has been a state responsibility. To this date, there is no clear path of how a SPGE is to absorb this liability as it is not allowed by KY PSC in its rate structure. These outflows and inflows are neither assets nor liabilities but represent allocations that may impact future pension and Other Post Employment Benefits (OPEB) expenses. Increases in Deferred Outflows and Inflows of Resources are attributable to differences in CERS’s actual performance when compared to actuarial expectations. Note that the Deferred Inflows are now greater than the Deferred Outflows.

	2023	2022	2021	Difference 23-22	%
Deferred Outflows	\$553,894	\$472,962	\$399,183	\$80,932	17.1
Deferred Inflows	\$814,850	\$383,569	\$412,124	\$431,281	112.4

Liabilities

The reduction of \$739,081 in total liabilities in 2023 vs. 2022 is attributable almost entirely to the reduction of \$342,244 in notes and bonds payables and a decrease in net pension and net OPEB liabilities of \$414,805.

	2023	2022	2021	Difference 23-22	%
Long Term Liabilities	\$5,517,383	\$6,297,207	\$6,497,964	(\$779,824)	(12.4)
Current & Accrued Liabilities	\$517,205	\$476,462	\$374,682	\$40,743	8.6
Total Liabilities	\$6,034,588	\$6,773,669	\$6,872,646	(\$739,081)	(10.9)

Total Net Position

Total Net Position increased by \$400,083 reflecting the gain from operating income, reduction in debt service costs, and a net reduction in the Pension and OPEB liability.

	2023	2022	2021	Difference 23-22	%
Total Net Position	\$6,213,190	\$5,813,107	\$5,481,416	\$400,083	6.9

Income Statement

Operating Revenues for 2023 were up \$171,169 (8.2%) when compared to 2022 due to an increase in water sales. Operating expenses for 2023 were up by \$144,053 when compared to 2022 due to higher labor and maintenance costs. Net Operating Revenue was up \$27,116 when compared to 2022 due to lower OPEB expenses. The Net Income for the year was up by \$68,392 in 2023 compared to 2022.

	2023	2022	2021	Difference (23-22) (Unfavorable)	%
Operating Revenue	\$2,253,639	\$2,082,470	\$1,927,615	\$171,169	8.2
Operating Expense	\$1,849,843	\$1,705,790	\$1,646,538	(\$144,053)	(8.4)
Net Operating Revenue	\$403,796	\$376,680	\$281,077	\$27,116	7.2
Non-Operating Expenses	(\$52,493)	(\$101,609)	(\$265,011)	\$49,116	48.3
Capital Contributions	\$48,780	\$56,620	\$95,616	(\$7,840)	(13.8)
Net Income	\$400,083	\$331,691	\$111,682	\$68,392	20.6

Statement of Cash Flows

Cash from Operating Activities was down by 7.9% or \$54,524 when compared to 2022. Customer receipts were up 6.15% for the year 2023 when compared to 2022. Cash used by financing activities did not change significantly for the year 2023. The net effect of these factors resulted in a net increase in cash of 6.5% at the year's end.

	2023	2022	2021	Difference (23-22) (Unfavorable)	%
Cash from Operating Activities (Net)	\$636,903	\$691,427	\$688,658	(\$54,524)	(7.9)
Cash from Capital & Related Net Financing Activities	(\$518,092)	(\$515,364)	(\$719,033)	(\$2,728)	(0.5)
Cash from Investing Activities	\$12,210	\$6,378	\$2,025	\$5,832	91.4
Change in Cash	\$131,021	\$182,441	(\$28,350)	(\$51,420)	(28.2)
Cash Balance, Beginning of Year	\$2,017,782	\$1,835,341	\$1,863,691	\$182,441	9.9
Cash Balance, End of Year	\$2,148,803	\$2,017,782	\$1,835,341	\$131,021	6.5

Debt Administration

As of 2023 year's end, the District had outstanding Bond debt of \$3,940,500 and Notes Payable of \$292,970 for a total of \$4,233,470 in Long Term Debt. The Debt Coverage Ratio for 2023 was 1.75, a level that is sufficient to pay debt for the upcoming year and make some capital improvements.

	2023	2022	2021	Difference (23-22)	%
Total Bonds Payable	\$3,940,500	\$4,105,500	\$4,185,000	(\$165,000)	(4.01)
Note Payable	\$292,970	\$419,533	\$543,401	(\$126,563)	(30.2)
Income Available for Debt Service	\$792,153	\$764,595	\$733,030	\$27,558	3.6
Total Debt Service	\$452,207	\$449,464	\$343,434	\$2,743	.6
Debt Coverage	1.75	1.70	2.13	.05	2.9

Economic Outlook

No major increases in sales revenues are expected. As our residential communication improves to allow customers to know of water leaks and waste due to improved meter reading data technology, we will be able to detect and notify customers to avoid waste but at the same time could lower sales from good paying customers. The graph of the Operating Expenses including Depreciation versus Operating Revenue presents a view of monies remaining to cover debt after Operating Expenses have been paid. CCWD did fully cover the Depreciation this year. The graph titled Operating Ratio depicts Total Operating Expenses less Depreciation and Pension/OPEB calculated expense divided by Total Revenues and is a measure of overall efficiency of the District. Management feels that trends in this Operating Ratio reflect the health of the District. In the healthiest operations this ratio will remain constant or reduce over time. You will note that this ratio was about the same for 2023 when compared to the previous year. Management is forecasting that another rate increase will be needed in the future as more federal regulations and more local requirements are rapidly evolving. The more recent rate increase that was approved by Kentucky Public Service Commission was based on the 2020 financial year. However, this was just prior to the impacts of the corona-virus pandemic and did not compensate for high inflation, retirement plan costs, unusual weather trends and staffing requirements. Currently, the requirement of obtaining information on plumbing inventory that lays underground of its own assets and requiring the public utility to gain information on the private side with the possibility of being responsible party to replace other properties is a high concern to CCWD board and management. The cost of work and the fallout going forward will cause major changes in operations and issues to be dealt with forever going forward. In addition, frequent regulatory changes, poor responses from suppliers, and increased demands from customers all add to the workload of the CCWD staff and will impact the need for future rate increases for CCWD. These types of requirements will not only affect CCWD but all utilities in the country.

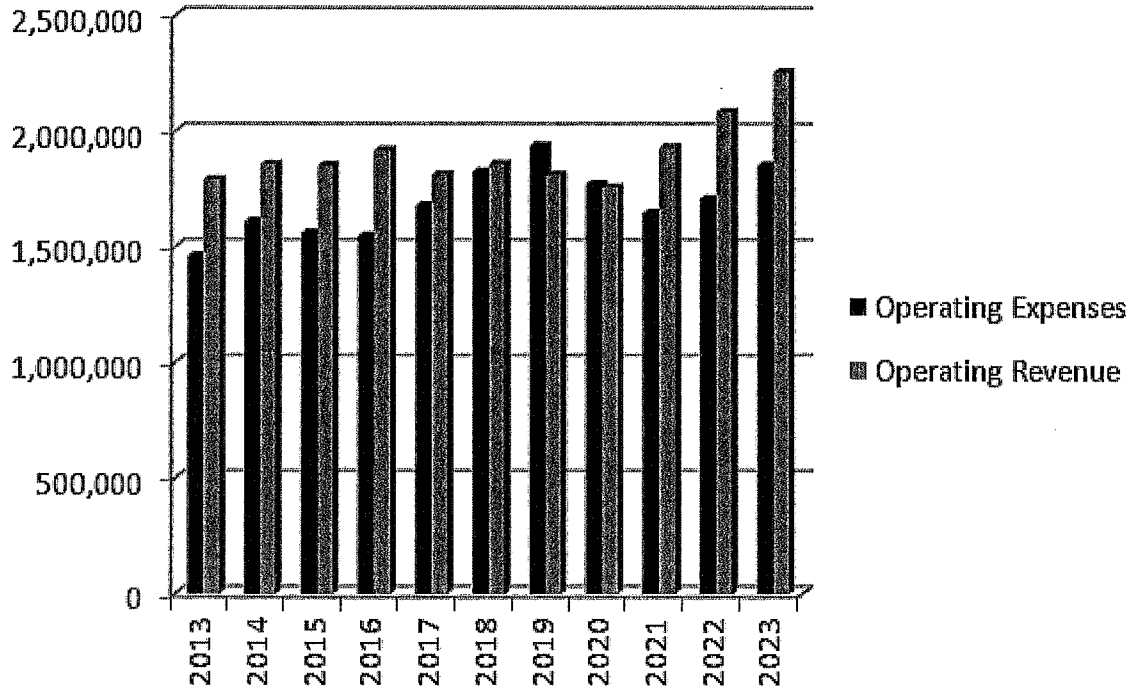
NOTE:

In 2018, within the state legislation session (HB 362), created a cap on the CERS employer's contribution maximum rate increase up to 12% per year over the prior fiscal year for the period of July 1, 2018, to June 30, 2028. However, on December 4, 2023, the CERS Board of Trustees met and adopted CERS employer contribution rates for Fiscal Year 2025 that will go into effect in July 2024, the rate decreases again from 23.34% to 19.71%. Future pension and OPEB costs and the ultimate payment necessary to finance the District's share of those liabilities remains to be a high concern as they do not even trend in a reliable fashion.

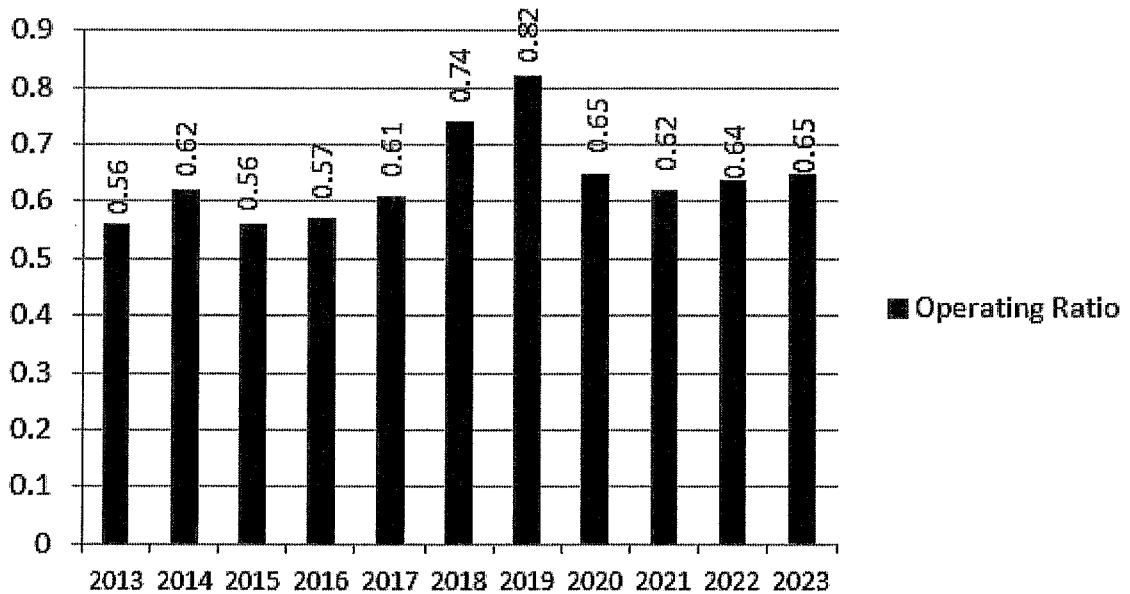
Contacting District Management

This financial report is designed to provide an easy-to-read general overview of the District's finances to its ratepayers, creditors, and public at large. It also provides accountability for the money received by the District. Questions concerning this report may be directed to the General Manager of the District at 205 Main Cross Street in Ghent, Kentucky 41045, phone 502-347-9500.

Operating Expenses vs. Operating Revenue



Operating Ratio



CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 1,096,748	\$ 936,470
Accounts Receivable (Net)	178,401	164,721
Other Receivables	391	2,872
Inventory	471,900	382,995
Prepaid Expense	48,084	49,090
Total Current Assets	\$ 1,795,524	\$ 1,536,148
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	\$ 2,460,261	\$ 2,436,431
Interest Receivable	642	2,617
Capital Assets (Net)	8,252,207	8,522,087
Deposits	100	100
Total Noncurrent Assets	\$ 10,713,210	\$ 10,961,235
Total Assets	\$ 12,508,734	\$ 12,497,383
DEFERRED OUTFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 381,501	\$ 282,198
Attributable to Employee OPEB Plan	172,393	190,764
Total Deferred Outflows of Resources	\$ 553,894	\$ 472,962
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 61,589	\$ 33,559
Accrued Compensated Absences	50,705	47,742
Accrued Wages	5,917	5,757
Accrued Payroll Taxes/Employee Withholding	25,424	24,954
Utility Tax Payable	4,892	4,661
Sales Tax Payable	4,354	2,648
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable	61,716	65,586
Revenue Bonds Payable	176,000	165,000
Notes Payable	126,608	126,555
Total Current Liabilities	\$ 517,205	\$ 476,462
Noncurrent Liabilities:		
Revenue Bonds Payable (Including Premium \$261,330 for 2023 and \$300,958 for 2022)	\$ 4,025,830	\$ 4,241,458
Notes Payable	166,362	292,978
Net Pension Liability	1,333,222	1,350,669
Net OPEB Liability	(28,686)	368,672
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	20,655	43,430
Total Noncurrent Liabilities	\$ 5,517,383	\$ 6,297,207
Total Liabilities	\$ 6,034,588	\$ 6,773,669
DEFERRED INFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 299,694	\$ 185,856
Attributable to Employee OPEB Plan	515,156	197,713
Total Deferred Inflows of Resources	\$ 814,850	\$ 383,569
NET POSITION		
Net Investment in Capital Assets	\$ 3,757,407	\$ 3,696,096
Restricted for Debt Service	2,378,532	2,330,033
Unrestricted	77,251	(213,022)
Total Net Position	\$ 6,213,190	\$ 5,813,107

See accompanying notes to the basic financial statements.

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2023 and 2022

Operating Revenues:	2023	2022
Charges for Services:		
Water Charges (Net)	\$ 2,146,953	\$ 1,950,722
Bulk Water Charges	1,800	1,800
Total Charges for Services	\$ 2,148,753	\$ 1,952,522
Other Charges and Miscellaneous:		
Billing Service Charges	\$ 43,544	\$ 42,865
Reconnect and Disconnect Charges	25,838	49,978
Miscellaneous	35,504	37,105
Total Other Charges and Miscellaneous	\$ 104,886	\$ 129,948
Total Operating Revenues	\$ 2,253,639	\$ 2,082,470
Operating Expenses:		
Accounting and Collecting Labor	\$ 160,304	\$ 137,946
Administrative Per Diem	26,750	20,700
Administrative Salaries	132,944	124,300
Depreciation Expense	388,357	368,525
Employee Benefits	70,833	66,751
Employee Licenses	-	1,548
Insurance	44,116	37,431
Maintenance of Mains/Distribution System	176,834	49,264
Office Supplies and Expense	74,288	81,151
Operating Labor	289,766	260,016
Other Interest Expense	195	178
Other Post Employment Benefits (OPEB) attributable to GASB 75	(61,544)	27,554
Payroll Taxes	48,760	44,296
Professional Services	21,547	36,849
Purchased Power	193,388	187,687
Purchased Water	4,325	7,093
Regulatory Fees	2,725	2,893
Repairs & Maintenance	24,807	12,879
Retirement Plan and OPEB Contributions	151,762	150,040
Retirement Plan Expense attributable to GASB 68	(2,912)	(8,164)
Transportation Expense	47,474	44,984
Uniforms	13,235	14,145
Utilities & Telephone	18,114	16,911
Water Treatment Expense	23,775	20,813
Total Operating Expenses	\$ 1,849,843	\$ 1,705,790
Operating Income	\$ 403,796	\$ 376,680
Nonoperating Revenue (Expense):		
Investment Income	\$ 60,841	\$ 31,267
Interest Expense	(114,699)	(139,252)
Gain (Loss) on Sale/Abandonment of Fixed Assets	1,365	6,376
Total Nonoperating Revenue (Expense)	\$ (52,493)	\$ (101,609)
Net Income (Loss) Before Contributions	\$ 351,303	\$ 275,071
Capital Contributions	48,780	56,620
Change in Net Position	\$ 400,083	\$ 331,691
Net Position - Beginning	5,813,107	5,481,416
Net Position - End of Year	\$ 6,213,190	\$ 5,813,107

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,219,121	\$ 2,090,625
Payments to Suppliers	(241,028)	(145,752)
Payments to Employees	(606,641)	(538,392)
Other Receipts (Payments)	(734,549)	(715,054)
Net Cash Provided (Used) by Operating Activities	\$ 636,903	\$ 691,427
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	\$ 38,480	\$ 46,134
Purchase of Capital Assets (including Work in Process)	(118,477)	(236,279)
Principal Paid on Capital Debt	(291,563)	(203,368)
Interest Paid on Capital Debt	(158,197)	(140,342)
Proceeds Build America Bonds Interest Reimbursement	10,300	10,486
Proceeds Sale of Capital Assets	1,365	8,005
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (518,092)	\$ (515,364)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (53,087)	\$ (24,642)
Interest Received	65,297	31,020
Net Cash Provided (Used) by Investing Activities	\$ 12,210	\$ 6,378
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 131,021	\$ 182,441
Balances-Beginning of the Year	2,017,782	1,835,341
Balances-End of the Year	\$ 2,148,803	\$ 2,017,782

	Balances Per December 31, 2023 Statement of Net Position	Balances Per December 31, 2023 Statement of Cash Flows
Cash	\$ 502,812	\$ 502,812
Time Deposits	593,936	-
Restricted Cash	1,645,991	1,645,991
Restricted Time Deposits	814,270	-
Total Cash and Cash Equivalents, End of Year	\$ 3,557,009	\$ 2,148,803

	Balances Per December 31, 2022 Statement of Net Position	Balances Per December 31, 2022 Statement of Cash Flows
Cash	\$ 366,718	\$ 366,718
Time Deposits	569,752	-
Restricted Cash	1,651,064	1,651,064
Restricted Time Deposits	785,367	-
Total Cash and Cash Equivalents, End of Year	\$ 3,372,901	\$ 2,017,782

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 403,796	\$ 376,680
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	388,357	368,525
Pension Expense	(2,912)	(8,164)
OPEB Expense	(61,544)	27,554
Change in Assets and Liabilities:		
Receivables, Net	(13,680)	5,048
Inventories	(88,905)	(56,925)
Prepaid Expenses	1,006	(5,048)
Accounts Payable	28,030	(27,422)
Accrued Wages	160	1,916
Utility Tax Payable	231	446
Sales Tax Payable	1,706	(709)
Accrued Payroll Taxes & Employee Benefits	470	3,502
Customer Meter Deposits Payable	(22,775)	3,370
Accrued Compensated Absences	2,963	2,654
Net Cash Provided by Operating Activities	\$ 636,903	\$ 691,427

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At December 31, 2023 and 2022, Carroll County Water District No. 1 had no non-cash transactions outstanding associated with capital, investing and financing activities.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of entity: Carroll County Water District No. 1 is a rural water company serving approximately 3,100 customers in Carroll, Owen and Gallatin Counties, Kentucky of which 161 are considered commercial and 44 are industrial users, or large users. The District is regulated by the Public Service Commission of the Commonwealth of Kentucky. The water district was formed under the laws of Carroll County through its fiscal court in 1960 and began operations in 1965.

In evaluating how to define Carroll County Water District No. 1 for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

A summary of the District's significant accounting policies follows:

Basis of presentation and accounting: As stated in Kentucky Revised Statutes (KRS) 278.015, "any water district shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission." In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction and may prescribe the manner in which such accounts shall be kept. The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds 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 (expenses, 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.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

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. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. 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 plus deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted, and unrestricted components.

Revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

The District adheres to the use restrictions established by bond agreements when expenses are incurred for which both restricted and unrestricted net position is available. The District has no policy defining which resources (restricted or unrestricted) to use first. Restricted amounts are considered to have been spent when an expense is incurred for the purpose of such classifications.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory: Inventories are stated at latest cost.

Property and equipment: Property and equipment purchased or constructed is stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. During 2021, the lives of categories of assets were changed to correspond more closely to lives recommended by the National Association of Regulatory Utility Commissioners (NARUC) guidelines. In most cases this extended the useful life of the asset. The range of estimated useful lives by type of asset is as follows:

- Structures & Improvements	10-37.5 years
- Distribution System	10-62.5 years
- Wells	20-30 years
- Machinery & Equipment	5-22.5 years

During 2023, Carroll County Water District No. 1 adopted a capitalization policy to expense items less than \$1000, except those required to be capitalized by the Public Service Commission such as meters.

Debt Issuance Costs: Such costs are expensed as incurred.

Compensated Absences: See Note 9 for the District's policy on vacation and sick pay.

Pension: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Post Employment Benefits Other Than Pensions: For purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employee's Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred Outflows of Resources and Deferred Inflows of Resources are not assets or liabilities; revenues or expenses. Rather, they represent resources, or the use of resources related to future periods.

Income Taxes: The Carroll County Water District No. 1 is not subject to income taxes.

Contributed capital: Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District recognizes capital contributions as revenues in the statement of revenues, expenses, and changes in fund net position. Tap on fees of \$38,480 and \$46,134 were received by the District for the years ended December 31, 2023, and 2022, respectively. Capital contributions of \$10,300 and \$10,486 Build America Bonds interest reimbursements were received by the District during the years ended December 31, 2023, and 2022.

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: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net position not included in the above categories.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows: For the purpose of the Statement of Cash Flows, Carroll County Water District No. 1 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS

The Bond and Interest Sinking Account was to be established with the District’s original bond issue. Under the bond resolution which established this account, it was provided that a minimum balance be maintained in this account as security to the bondholders. In order to attain the minimum balance, the monthly transfer to be made into the account for the outstanding bond issues is as follows:

- one sixth (1/6) of the next semiannual interest payment
- + one twelfth (1/12) of next annual principal payment
- = monthly transfer

Transfers sufficient to meet the total obligation outstanding on all issues were made timely during the years ended December 31, 2023 and 2022.

Under the bond resolution of the original 1965 bonds (now redeemed), a Depreciation Account was to be established to provide funds for extraordinary repairs and extensions to the system, and to make up any deficiency in the Bond and Interest Sinking Fund Account. Under the provisions of the 1994 Bond Resolution, an adjustment was required to be made in the Depreciation Fund requirements upon the issuance of any bonds on a parity with the Series 1994 bonds. Therefore, with the issuance of subsequent bonds, additional transfer requirements were established as follows:

<u>Series</u>	<u>Transfer Due</u>	<u>Accumulation Required</u>
1999 A & B	\$2,090/month	\$250,800
2005 A & B	525/month	63,000
2010	510/month	61,200
Total		<u>\$375,000</u>

The 1994, 1997 A & B, and 1999 Series A & B issues were refunded with the issuance of the 2012B Bond Issue. The issue of 2012 ratified and confirmed the transfers required above to continue in force.

When the required balance of \$375,000 is attained, the monthly transfers may be discontinued, but are subject to resumption if the depreciation account is depleted below the required balance. The Depreciation Account is to be maintained as long as any of the bonds are outstanding.

Under the District’s debt agreement with the Kentucky Infrastructure Authority (KIA) a R&M Reserve is to be funded. \$7,500 is to be transferred annually into the reserve until a balance of \$75,000 is obtained.

A separate reserve has not been established for the Kentucky Infrastructure Authority reserve. However, the District has funded reserve accounts sufficient to fund the maximum accumulation mandated in the 1999 bond agreement plus the KIA’s required balance at December 31, 2023 and 2022. The District continued to transfer the monthly amounts required under the Series 2005 A and B bond agreement, and the additional \$510 payment required by the 2010 Series bond agreement during 2023 and 2022.

After the required monthly transfers to the respective bond and interest account and depreciation account, a transfer of one-twelfth (1/12) of the annual budgeted expenditures for the District is to be transferred to an operation and maintenance account for making expenditures for the District. Sixty days following year end, all remaining funds in the revenue account in excess of two (2) months operating budget requirements are to be transferred to the depreciation account.

At December 31, 2023 and 2022, no additional transfers were required.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 3 – CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities, including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2023 and 2022, in accordance with the District's policy, \$878,525 and 864,396 respectively, of the District's deposits were covered by federal depository insurance and \$2,692,306 and \$2,535,176 respectively, were collateralized by securities held by the pledging financial institution's agent in the District's name. Thus the District had no deposits that were exposed to custodial credit risk.

At December 31, 2023 and 2022, the District's deposits were as follows:

December 31, 2023

<u>Type of Deposit</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ 7,962	\$ 7,967
Time/Savings Deposits	3,562,869	3,548,842
Total Deposits	<u>\$ 3,570,831</u>	<u>\$ 3,556,809</u>

December 31, 2022

<u>Type of Deposit</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ 5,902	\$ 5,902
Time/Savings Deposits	3,393,670	3,366,899
Total Deposits	<u>\$ 3,399,572</u>	<u>\$ 3,372,801</u>

Reconciliation to Statement of Net Position:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unrestricted Cash	\$ 1,096,748	\$ 936,470
Restricted Cash, Including Time Deposits	2,460,261	2,436,431
Less: Cash on Hand	(200)	(100)
	<u>\$ 3,556,809</u>	<u>\$ 3,372,801</u>

NOTE 4 – RESTRICTED ASSETS

Restricted assets consists of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Restricted Cash and Time Deposits		
Bond and Interest Sinking Account	\$ 370,563	\$ 358,494
Depreciation Reserve Account	2,069,043	2,034,507
Customer Deposits	20,655	43,430
Total	<u>\$ 2,460,261</u>	<u>\$ 2,436,431</u>
Interest Receivable - Depreciation Reserve Accounts	<u>\$ 642</u>	<u>\$ 2,617</u>

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 5 – CUSTOMER ACCOUNTS RECEIVABLE

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of \$6,968 and \$6,330 at December 31, 2023 and 2022, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data.

NOTE 6 – CUSTOMER DEPOSITS/ESCROW

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full) or one year pending a satisfactory payment record. Deposits received from customers are held in an interest-bearing account (which is included in the financial statements as restricted cash). Records are maintained which detail the accrued interest on each customer's deposit based on the current market rate. Accrued interest is paid annually and when the deposit is refunded.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022, was as follows:

	<u>Balance at January 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2023</u>
Land & Land Rights	\$ 311,460	\$ -	\$ -	\$ 311,460
Structures & Improvements	382,889	9,151	-	392,040
Distribution System	15,302,306	80,567	-	15,382,873
Wells	539,913	-	-	539,913
Machinery & Equipment	963,176	28,759	-	991,935
Totals at Historical Cost	<u>\$ 17,499,744</u>	<u>\$ 118,477</u>	<u>\$ -</u>	<u>\$ 17,618,221</u>
Less: Accumulated Depreciation				
Structures & Improvements	\$ 198,507	\$ 9,905	\$ -	\$ 208,412
Distribution System	7,761,860	302,199	-	8,064,059
Wells	384,874	16,896	-	401,770
Machinery & Equipment	632,416	59,357	-	691,773
Total Accumulated Depreciation	<u>\$ 8,977,657</u>	<u>\$ 388,357</u>	<u>\$ -</u>	<u>\$ 9,366,014</u>
Capital Assets, Net	<u>\$ 8,522,087</u>	<u>\$ (269,880)</u>	<u>\$ -</u>	<u>\$ 8,252,207</u>
	<u>Balance at January 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2022</u>
Land & Land Rights	\$ 311,460	\$ -	\$ -	\$ 311,460
Structures & Improvements	382,889	-	-	382,889
Distribution System	15,231,809	110,986	(40,489)	15,302,306
Wells	539,913	-	-	539,913
Machinery & Equipment	874,850	125,294	(36,968)	963,176
Totals at Historical Cost	<u>\$ 17,340,921</u>	<u>\$ 236,280</u>	<u>\$ (77,457)</u>	<u>\$ 17,499,744</u>
Less: Accumulated Depreciation				
Structures & Improvements	\$ 188,565	\$ 9,942	\$ -	\$ 198,507
Distribution System	7,499,479	301,241	(38,860)	7,761,860
Wells	367,978	16,896	-	384,874
Machinery & Equipment	628,938	40,446	(36,968)	632,416
Total Accumulated Depreciation	<u>\$ 8,684,960</u>	<u>\$ 368,525</u>	<u>\$ (75,828)</u>	<u>\$ 8,977,657</u>
Capital Assets, Net	<u>\$ 8,655,961</u>	<u>\$ (132,245)</u>	<u>\$ (1,629)</u>	<u>\$ 8,522,087</u>

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 7 – CAPITAL ASSETS (Continued)

Included under the District's Plant Assets at December 31, 2023 and 2022, respectively, were \$2,149,856 and \$2,130,808 of fully depreciated assets. Land and land rights and construction in process are capital assets not being depreciated.

As described in Note 1, the lives of certain assets were adjusted in calendar year 2021 to more closely correspond to NARUC guidelines which resulted in extending useful lives in most cases. Depreciation expense aggregated \$388,357 and \$368,525 in 2023 and 2022, respectively.

NOTE 8 – LONG-TERM LIABILITIES

Direct Borrowing Debt

Notes Payable:

The Carroll County Water District No. 1 entered into interlocal agreements under which it was the subrecipient of loan proceeds from the Kentucky Infrastructure Authority funding the Focus on Core Mission and Infrastructure Project and the Carroll County Interconnect Project. The City of Carrollton f/b/o Carrollton Utilities was the recipient of the loan proceeds. It (Carrollton Utilities) was also the entity overseeing the engineering and construction contracts, and other general costs associated with the projects. Carroll County Water District No. 1, under interlocal agreements with the City of Carrollton/Carrollton Utilities, agreed to pay Carrollton Utilities for the portion of the debt associated with improvements made to its distribution system. The District chose to repay the total debt associated with the Focus on Core Mission and Infrastructure Project in December, 2016.

On November 30, 2017, the Public Service Commission approved the refinancing of the District's Kentucky Infrastructure Authority Loan to lower the interest rate charged from 3% to 2.25%. The principal balance and payment schedule remained unchanged. The refinancing will save the District \$25,371 over the life of the loan. The net present value of the interest savings is \$23,396.

As of December 31, 2023 and 2022, the long-term liabilities consisted of the following:

Notes Payable:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Kentucky Infrastructure Authority represents a 20 year loan, original principal of \$1,908,662, secured by water revenues. Interest was charged at 3% per annum until November 30, 2017 when the interest rate was reduced to 2.25%. Payments are made semi-annually. Final maturity is December 1, 2024.	\$ 122,141	\$ 241,579
Carrollton Utilities (Carroll County Interconnect Project) represents a 30 year loan as stipulated in an interlocal agreement. Interest is charged at .75% per annum. In addition, a loan servicing fee of .25% of the annual outstanding loan balance is payable as a part of each interest payment. The original principal balance was \$301,721 before the note was reduced by 25% principal forgiveness of \$75,430. Semi-annual payments with final maturity December 1, 2045.	170,829	177,954
Total Notes Payable	\$ 292,970	\$ 419,533
Current Portion	\$ 126,608	\$ 126,555
Noncurrent Portion	166,362	292,978
Total Notes Payable	\$ 292,970	\$ 419,533

Upon the occurrence of an event of default, the Kentucky Infrastructure Authority shall be entitled to the appointment of a receiver of the System and all receipts therefrom. The Kentucky Infrastructure Authority may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the District defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by the Kentucky Infrastructure Authority.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Bonds Payable:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
RECD Revenue Bonds of 2005 Series B, original issue amount of \$319,000, secured by water revenues. Interest is charged at the rate of 4.125% per annum. Final maturity is September 1, 2044.	232,500	239,500
RECD Revenue Bonds of 2010, (Build America Bonds – Direct Payment), original issue amount of \$1,246,000, secured by water revenues. Interest is charged at the rate of 3% per annum. Final maturity is September 1, 2049.	1,013,000	1,036,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2021 D, original issue amount of \$2,880,000, secured by water revenues. Interest is charged at the rates of 2.75% - 5.2% per annum. Final maturity is August 1, 2042.	2,695,000	2,880,000
Total Bonds Payable	\$ 3,940,500	\$ 4,105,500

Bonds Payable:

Current Portion	\$ 176,000	\$ 165,500
Noncurrent Portion	3,764,500	3,940,500
Total Bonds Payable	\$ 3,940,500	\$ 4,105,500

Accrued Compensated Absences:

Current Portion	\$ 50,705	\$ 47,742
Noncurrent Portion	-	-
Total Accrued Compensated Absences	\$ 50,705	\$ 47,742

If there is any default in the payment of the principal of or interest on any of the bonds, then upon the filing of suit by any holder of said bonds, any court having jurisdiction of the action may appoint a receiver to administer the system on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of current expenses, and to apply the revenues in conformity with the bond resolution and the provisions of the statute laws of Kentucky.

Direct Placement Debt

Bonds Payable – U.S. Department of Agriculture – Rural Development, Series 2010

On November 11, 2010, the Carroll County Water District No. 1 issued \$1,246,000 Taxable Waterworks Revenue Bonds, Series 2010 with an interest rate of 3%. The proceeds were used to finance the 2007 water system improvement project. The first interest payment was due March 1, 2011. The first principal payment was due September 1, 2012. The final payment will be due September 1, 2049. These bonds are taxable Build America Bonds. As such, the District will receive annual federal credit payments toward the debt service of approximately 35% of each interest payment due. The credit will amount to \$319,024 over the life of the issue.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Bonds Payable – Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds Series 2021 D

On October 19, 2021, the Carroll County Water District #1 issued \$2,880,000 Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2021 D, to defease \$460,000 of its 2005 A Rural Development bonds and \$2,755,000 of its Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012 B bonds outstanding as of that date. The defeased Rural Development Bonds had an interest rate of 4.375%. The defeased Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds Series 2012 B bonds had interest rates from 3.2% to 4.2%. The 2021 D bonds were issued at 2.75% to 5.2%. As a result of the defeasement, the District reduced its total debt service requirements by \$610,602, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$524,236. Final maturity on the 2021 D issue is August 1, 2042. Underwriting expenses and other costs of issuance were \$93,326. A reoffering premium was received in the amount of \$343,318. The premium will be amortized as a reduction of interest expense over the life of the new issue. Amortization for the year ended December 31, 2023, and 2022 was \$39,628 and \$34,287, respectively. The unamortized premium balance was \$261,330 and \$300,958, at December 31, 2023 and 2022, respectively.

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the years ended December 31, 2023 and 2022.

December 31, 2023

	Balance at January 1, 2023	Additions	Retirements	Balance at December 31, 2023	Current Portion
Notes Payable/Direct Borrowing	\$ 419,533	\$ -	\$ 126,563	\$ 292,970	\$ 126,608
Bonds Payable/Direct Placement	4,105,500	-	165,000	3,940,500	176,000
Accrued Compensated Absences	47,472	27,168	23,935	50,705	50,705
Total Long-term Liabilities	<u>\$ 4,572,505</u>	<u>\$ 27,168</u>	<u>\$ 315,498</u>	<u>\$ 4,284,175</u>	<u>\$ 353,313</u>

December 31, 2022

	Balance at January 1, 2022	Additions	Retirements	Balance at December 31, 2022	Current Portion
Notes Payable/Direct Borrowing	\$ 543,401	\$ -	\$ 123,868	\$ 419,533	\$ 126,555
Bonds Payable/Direct Placement	4,185,000	-	79,500	4,105,500	165,000
Accrued Compensated Absences	45,088	32,501	29,847	47,742	47,742
Total Long-term Liabilities	<u>\$ 4,773,489</u>	<u>\$ 32,501</u>	<u>\$ 233,215</u>	<u>\$ 4,572,775</u>	<u>\$ 339,297</u>

The annual requirements for all long-term debt outstanding at December 31, 2023, are as follows:

Due	Notes Payable	Notes Payable Interest	Service Fee	Bonds	Bonds Interest	Trustee Fee	Federal Credit Interest Payment	Total Principal, Interest, Trustee Fee & Servicing Fee
2024	\$ 126,608	\$ 3,333	\$ 606	\$ 176,000	\$ 131,870	\$ 450	\$ 10,637	\$ 449,504
2025	7,224	1,214	405	182,500	123,553	450	10,385	325,731
2026	7,278	1,160	387	194,000	114,936	450	10,122	328,333
2027	7,332	1,105	368	200,000	105,779	450	9,849	324,883
2028	7,388	1,050	350	211,500	96,321	450	9,566	326,625
2029-33	37,782	4,408	1,469	1,193,000	340,852	2,250	43,209	1,622,970
2034-38	39,219	2,966	990	1,074,000	160,892	2,250	34,441	1,314,758
2039-43	40,716	1,470	491	373,500	56,724	1,800	23,972	498,673
2044-48	19,423	168	51	281,000	21,255	-	11,446	333,343
2049	-	-	-	55,000	1,361	-	289	56,650
	<u>\$ 292,970</u>	<u>\$ 16,874</u>	<u>\$ 5,117</u>	<u>\$ 3,940,500</u>	<u>\$ 1,153,543</u>	<u>\$ 8,550</u>	<u>\$ 163,916</u>	<u>\$ 5,581,470</u>

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in Long-term Liabilities (Continued)

The annual requirements for all long-term debt outstanding at December 31, 2022, are as follows:

Due	Notes Payable	Notes Payable Interest	Service Fee	Bonds	Bonds Interest	Trustee Fee	Federal Credit Interest Payment	Total Principal, Interest, Trustee Fee & Servicing Fee
2023	\$ 126,555	\$ 6,089	\$ 864	\$ 165,000	\$ 139,628	\$ 450	\$ 10,878	\$ 449,464
2024	129,311	3,333	606	176,000	131,870	450	10,637	452,207
2025	7,224	1,214	405	182,500	123,553	450	10,385	325,731
2026	7,278	1,160	387	194,000	114,936	450	10,122	328,333
2027	7,332	1,105	368	200,000	105,779	450	9,849	324,883
2028-32	37,500	4,690	1,563	1,151,000	385,317	2,250	44,784	1,627,104
2033-37	38,927	3,259	1,087	1,210,000	194,225	2,250	36,321	1,486,069
2038-42	40,412	1,773	593	427,500	67,411	2,250	26,219	566,158
2043-47	24,994	332	108	287,500	26,907	-	14,134	353,975
2048-49	-	-	-	112,000	3,544	-	1,465	117,009
	<u>\$ 419,533</u>	<u>\$ 22,955</u>	<u>\$ 5,981</u>	<u>\$ 4,105,500</u>	<u>\$ 1,293,170</u>	<u>\$ 9,000</u>	<u>\$ 174,794</u>	<u>\$ 6,030,933</u>

NOTE 9 – COMPENSATED ABSENCES

Employees receive one half sick day per month for sick time. A maximum of six months sick leave may be accumulated and credited to service time at retirement. Upon termination of employment, no portion of accrued sick leave is payable. Vacation days accumulate as follows:

<u>Full Years of Continuous Service</u>	<u>Earned Vacation</u>
First (Incoming) Year	40 hours
One (1) to Five (5) Years	80 hours
Six Years	88 hours
Each Service Year Until Fifteen	+8 hours/year
Fifteen (15) Years and Over	160 hours

Unused vacation may be carried into the next calendar year not to exceed thirty (30) working days (240 hours). Vacation in excess of 30 days will be forfeited unless bought back by the District.

The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

Sick leave accumulated but not accrued at December 31, 2023 and 2022 was \$82,074 and \$75,045, respectively. At December 31, 2023 and 2022, a liability for accrued vacation due was recorded in the amount of \$50,705 and \$47,742, respectively.

NOTE 10 – FUND EQUITY – RESTRICTED / UNRESTRICTED NET POSITION

Restricted for Debt Service:

RECD Revenue Bonds of 2005 Series B,
2010 Series; Kentucky Rural Water Refunding
Revenue Bonds, Series 2021 D and Kentucky
Infrastructure Authority Note Payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash	\$ 2,439,606	\$ 2,393,002
Add: Accrued Interest Receivable	642	2,617
Less: Accrued Interest Payable	(61,716)	(65,586)
Total Restricted for Debt Service	<u>\$ 2,378,532</u>	<u>\$ 2,330,033</u>

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 10 – FUND EQUITY – RESTRICTED / UNRESTRICTED NET POSITION

Unrestricted net position was increased by \$64,456 and reduced by \$19,390 for the years ended December 31, 2023 and 2022, respectively, as a result of the transactions recorded by the District to reflect its proportionate share of the County Employees Retirement System's Net Pension Liability and Net OPEB Liability. The accounts affected were as follows:

	2023	2022
Increase (Decrease) in Deferred Outflows of Resources	\$ 80,932	\$ 73,779
(Increase) Decrease in Deferred Inflows of Resources	(431,281)	28,555
(Increase) Decrease in Net Pension Liability	17,447	(121,928)
(Increase) Decrease in Net OPEB Liability	397,358	204
Net Decrease in Unrestricted Net Position	\$ 64,456	\$ (19,390)

NOTE 11 – INTEREST EXPENSE

Interest expense incurred for the years ended December 31, 2023 and 2022 was \$114,894 and \$139,430, respectively.

NOTE 12 – RETIREMENT PLAN

The Carroll County Water District No. 1 is a participating employer of the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees administered by the Kentucky Public Pension Authority (KPPA). Under the provisions of Kentucky Revised Statute 78.782 and 61.645, the KPPA oversees the administration and operation of the CERS. The CERS Board has nine trustees, three elected by the membership and six appointed by the Governor. The CERS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about CERS' fiduciary net position. These financial statements may be downloaded from the KPPA website, kyret.ky.gov.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Basis of Accounting – CERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

Contributions – For the year ended December 31, 2023, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended December 31, 2023, participating employers contributed 26.79% through June 30th and 23.34% thereafter, of each non-hazardous employee's creditable compensation, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and the insurance trust. The insurance trust is more fully described in Note 13. For the year ended December 31, 2023, plan members contributed 23.40% through June 30th and 23.34% thereafter to the pension for non-hazardous job classifications. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 12 – RETIREMENT PLAN (Continued)

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended December 31, 2023, the District contributed \$141,772 or 100% of the required contribution for non-hazardous job classifications.

House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years of 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

Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both components. Participating employees become eligible to receive the health insurance benefit after earning 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 a 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.

Prior to July 1, 2009, cost-of-living (COLA) adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. Senate Bill 2 passed during the 2013 Regular Session states COLAs will only be granted in the future if the Systems' Boards determine that assets of the Systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA. Cost-of-living adjustments are provided at the discretion of the Kentucky General Assembly. Kentucky Revised Statute 78.5518 governs how COLAs may be granted for members of CERS. No COLA has been granted since July 1, 2011.

Actuarial Methods and Assumptions to Determine the Total Pension Liability and the Net Pension Liability – For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, 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. The Board of Trustees adopted new

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 12 – RETIREMENT PLAN (Continued)

actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022", and include a change in the investment return assumption from 6.25% to 6.50%. The Total Pension Liability as of June 30, 2023 is determined using these updated assumptions. Additionally, House Bill 506 passed during the 2023 legislative session adjusted the minimum required separations period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances under the plan. This is a relatively small change for future retirees in the non-hazardous plan. As the minimum separation period was previously three months in almost every circumstance, the total pension liability as of June 30, 2023 included a 1% increase in the rate of retirement for each of the first two years a non-hazardous 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 non-hazardous plan is determined using these updated benefit provisions. There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% - 10.30%, varies by service
Investment Rate of Return	6.50%

In determining the total pension liability as of June 30, 2023, the mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Actuarial Methods and Assumptions 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, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed period at June 30, 2019, <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
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 retiree mortality is System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using base year of 2019.

Method Used to Value Investments/Investment Objectives – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded net of investment fees.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 12 – RETIREMENT PLAN (Continued)

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

- Shorter-Term (5 years and less): The returns of the particular asset classes of the managed funds, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio of comparable unmanaged market indices.
- Medium-Term (5 to 20 years): The returns of the particular asset classes of the managed funds, measured on a rolling 5 to 20 year basis should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices and perform above the median of an appropriate peer universe, if there is one.
- Longer-Term: The total assets of the KRS should achieve a return of 6.50% for CERS pension and insurance plans. This is measured for 20 years and beyond and should exceed the actuarially required rate of return as well as the return achieved by its total fund benchmark.

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage. The target asset allocation (applies to all pension and insurance funds maintained by CERS) and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.50% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
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%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension - At December 31, 2023, the District reported a liability of \$1,333,222 for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and was rolled forward using generally accepted actuarial principles. 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 employers, actuarially determined. At June 30, 2023, the District's proportion was 0.020778 percent, which was an increase of 0.002094 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized pension expense of \$138,858. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 12 – RETIREMENT PLAN (Continued)

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 69,018	\$ 3,623	\$ 1,444	\$ 12,028
Change in Assumptions	-	122,191	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	95,649	11,668	24,797	24,669
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	144,026	162,212	183,786	149,159
District Contributions Made Subsequent to the NPL Measurement Date	72,808	-	72,171	-
Total	<u>\$ 381,501</u>	<u>\$ 299,694</u>	<u>\$ 282,198</u>	<u>\$ 185,856</u>

\$72,808 and \$72,171 reported as deferred outflows of resources related to pensions arising from District contributions made after the measurement date will be recognized as a reduction in the net pension liability in the years ended December 31, 2024, and December 31, 2023, respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

Year Ended	Increase
December 31, 2023	(Decrease)
	to Pension Expense
2024	\$ (1,098)
2025	(6,758)
2026	29,763
2027	(12,908)
	<u>\$ 8,999</u>

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% assumes that CERS fund receives the required employer contributions each future year, as determined by the current funding policy established by Statute, as amended by House Bill 362, (passed during the 2018 legislative session) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2023, calculated using the discount rates of 6.50%], as well as what CERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the approved rate:

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 12 – RETIREMENT PLAN (Continued)

<u>As of June 30, 2023</u>	<u>1% Decrease</u> <u>[5.50%]</u>	<u>Current Discount</u> <u>[6.50%]</u>	<u>1% Increase</u> <u>[7.50%]</u>
Net Pension Liability	\$ 8,101,229,535	\$ 6,416,508,407	\$ 5,016,441,878
District's Proportionate Share	1,683,273	1,333,222	1,042,316

Payable to the Pension Plan - The District reported a payable of \$19,099 as of December 31, 2023, for the outstanding amount of contributions required to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 12, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

The CERS Nonhazardous Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the CERS Board and are required by the employers, and the employees' contributions are set by Kentucky Revised Statute 78.5536(3)(b)(1) and 61.702(3)(b)(1). KPPA recognized employer and employee contributions to the plans through June 30, 2023. OPEB expenses are recognized as the benefits come due for the plan, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2023. KPPA contracts with DEI and Humana Inc to administer the claims. DEI administers retiree claims for retirees who are non-Medicare eligible, and Humana administers retiree claims for members who are Medicare eligible. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Contributions – As more fully described in Note 12, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2023, the employer's contribution was 3.39% through June 30th and 0.00% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of the Kentucky Public Pension Authority are financed through employer contributions and investment earnings.

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

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

For the year ended December 31, 2023, the District contributed \$9,991 or 100% of the required contribution for non-hazardous job classifications.

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

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

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

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability – For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB 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.

The Board of Trustees adopted new actuarial assumptions on May 9, 2023, and June 5, 2023, respectively. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022”. Additionally, the discount rate used to calculate the total OPEB liability increased from 5.70% to 5.93% for the non-hazardous plan. Additionally, House Bill 506 passed during the 2023 legislative session adjusted the minimum required separations period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances under the plan. This is a relatively small change for future retirees in the non-hazardous plan. As the minimum separation period was previously three months in almost every circumstance, the total OPEB liability as of June 30, 2023 included a 1% increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, is determined using these updated assumptions. The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% - 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rate	
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 incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% at January 1, 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 incorporated into the liability measurement.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

In determining the total OPEB liability as of June 30, 2023, the mortality table used for active members was PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled retired members was PUB-2010 Disabled Mortality table, with a 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 2023.

Actuarial Methods and Assumptions to Determine the Actuarial Determined OPEB 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, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed period at June 30, 2019, <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rate	
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 incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% at January 1, 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 incorporated into the liability measurement.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2023, the District reported a liability/(asset) of (\$28,686) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportionate share was 0.020777 percent, which was an increase of 0.002096 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized OPEB expense of (\$51,553) At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 19,999	\$ 407,314	\$ 37,110	\$ 84,545
Change in Assumptions	56,452	39,342	58,308	48,046
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	42,257	8,158	16,239	11,435
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	53,685	60,342	68,651	53,687
District Contributions Made Subsequent to the Net OPEB Measurement Date	-	-	10,456	-
Total	<u>\$ 172,393</u>	<u>\$ 515,156</u>	<u>\$ 190,764</u>	<u>\$ 197,713</u>

\$0 and \$10,456 reported as deferred outflows of resources related to OPEB arising from District contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the years ended December 31, 2024 and 2023 respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on OPEB plan investments will be netted and amortized over five years and recognized in OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in OPEB expense over the expected remaining service lives of all employees. Total amortization to be recognized in OPEB expense is presented below as follows:

Year Ended December 31, 2023	Increase (Decrease) to OPEB Expense
2024	\$ (82,265)
2025	(106,461)
2026	(82,970)
2027	(71,067)
	<u>\$ (342,763)</u>

Discount Rate – The single discount rate used to calculate the total OPEB liability within the plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes. A single discount rate of 5.93% was used to measure the total OPEB liability as of June 30, 2023, for the CERS Nonhazardous plan. This is an increase of 0.23% from the 5.70% discount rate used to measure the total OPEB liability as of June 30, 2022, for the CERS Nonhazardous plan. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86% 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 the fiscal year ending June 30, 2023, the 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 plan's actuarially determined contributions and 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in Note 12.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability to Changes in the Discount Rate and Healthcare Trend Rate - The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2023, calculated using the single discount rate of 5.93%], as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2023</u>	<u>1% Decrease [4.93%]</u>	<u>Current Discount [5.93%]</u>	<u>1% Increase [6.93%]</u>
Net OPEB Liability	\$ 259,098,308	\$ (138,066,692)	\$ (470,643,914)
District's Proportionate Share	53,833	(28,686)	(97,786)

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2023, calculated using the healthcare cost trend rate for the year ended June 30, 2023], as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2023</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ (442,527,812)	\$ (138,066,692)	\$ 235,935,140
District's Proportionate Share	(91,944)	(28,686)	49,020

NOTE 14 – ECONOMIC DEPENDENCY

Carroll County Water District No. 1 provides water services to residential, commercial and industrial customers. It should be noted that 18.8% and 13.9% of total water revenue was received from two industries, North American Stainless and Nucor Steel, for the years ended December 31, 2023 and 2022.

NOTE 15 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks is covered through premiums paid to Kentucky Association of Counties All Lines Fund. The District is also subject to the risks associated with employee injury. These risks are covered through premiums paid to the Kentucky Association of Counties, Workers' Compensation Self-insurance Fund. Such coverage is retrospectively rated and premiums may be adjusted based on experience. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 16 – BAD DEBT EXPENSE

Water revenue charges have been netted with an estimated bad debt expense of \$9,430 and \$10,578 at December 31, 2023 and 2022, respectively.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Carroll County Water District No. 1, has entered into a water resale agreement with Kentucky American Water Company to supply Kentucky American Water Company's customers in the area of Wheatley, Kentucky. Under this agreement, as amended September 15, 2013, Carroll County Water District No. 1 will sell its water to the Kentucky American Water Company at a price of \$183.50 plus \$2.62 per 1000 gallons monthly (effective 6/28/2022 – previously \$2.26 per 1000 gallons). The agreement is for a term of 20 years with automatic one-year extensions unless terminated by either party upon one year's written notice. Rates may be modified by providing 120 days' notice or by the action of the Public Service Commission.

The District has entered into a 99 year lease with the City of Ghent for the use of one of the City's buildings. The District paid the City \$15,000 for the lease. The prepayment is being amortized over the life of the lease.

NOTE 18 – SUBSEQUENT EVENTS

The District has been awarded a Cleaner Water Program (CWP) Grant in the amount of \$924,956 through the Kentucky Infrastructure Authority. These funds are provided through the American Rescue Plan Act of 2021, Corona Virus State Recovery Fund and must be obligated by December 31, 2026. The Water Supply Distribution Improvements Project is estimated to cost \$1.8 million. The District is currently investigating options for financing the remaining cost of the improvement project. The project is still in the preliminary stages.

Management has considered subsequent events through the date of this report June 12, 2024, for disclosure. No events were identified that would have impacted the financial statements for the year ended December 31, 2023.

CARROLL COUNTY WATER DISTRICT NO. 1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Years Ended December 31

Reporting Year End (Measurement Date)	<u>2023</u> (June 30, 2023)	<u>2022</u> (June 30, 2022)	<u>2021</u> (June 30, 2021)	<u>2020</u> (June 30, 2020)	<u>2019</u> (June 30, 2019)	<u>2018</u> (June 30, 2018)	<u>2017</u> (June 30, 2017)	<u>2016</u> (June 30, 2016)	<u>2015</u> (June 30, 2015)	<u>2014</u> (June 30, 2014)
District's proportion of the net pension liability %	0.020778%	0.018684%	0.019272%	0.018311%	0.018379%	0.017972%	0.016683%	0.016485%	0.01638%	0.01649%
District's proportionate share of the net pension liability (asset)	\$ 1,333,222	\$ 1,350,669	\$ 1,228,741	\$ 1,404,439	\$ 1,292,603	\$ 1,094,550	\$ 976,507	\$ 811,645	\$ 704,435	\$ 535,000
District's covered employee payroll (calendar year)	\$ 606,663	\$ 558,564	\$ 512,133	\$ 480,024	\$ 471,269	\$ 447,333	\$422,380	\$ 400,856	\$ 394,012	\$ 382,520
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	219.76%	241.81%	239.93%	292.58%	274.28%	244.68%	231.19%	202.48%	178.79%	139.86%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.3%	55.5%	59.97%	66.80%

**CARROLL COUNTY WATER DISTRICT NO. 1
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PENSION)
COUNTY EMPLOYEES RETIREMENT SYSTEM
For Years Ended December 31**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contributions	\$ 141,772	\$ 129,153	\$ 103,826	\$ 92,645	\$ 81,039	\$ 68,732	\$ 59,317	\$ 54,235	\$ 51,276
Contributions in relation to the contractually required contributions	141,772	129,153	103,826	92,645	81,039	68,732	59,317	54,235	51,276
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll (calendar year)	\$ 606,663	\$ 558,564	\$ 512,133	\$ 480,024	\$ 471,269	\$ 447,333	\$ 422,380	\$ 400,856	\$ 394,012
Contributions as a percentage of covered payroll	23.37%	23.12%	20.27%	19.30%	17.19%	15.36%	14.04%	13.52%	13.01%

Notes: The above schedule will present 10 years of historical data, once such data is available.

CARROLL COUNTY WATER DISTRICT NO. 1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Years Ended December 31

Reporting Year End (Measurement Date)	<u>2023</u> (June 30, 2023)	<u>2022</u> (June 30, 2022)	<u>2021</u> (June 30, 2021)	<u>2020</u> (June 30, 2020)	<u>2019</u> (June 30, 2019)	<u>2018</u> (June 30, 2018)	<u>2017</u> (June 30, 2017)
District's proportion of the net OPEB liability (asset) %	0.020777%	0.018681%	0.019268%	0.018306%	0.018374%	0.017972%	0.016683%
District's proportionate share of the net OPEB liability (asset)	\$ (28,686)	\$ 368,672	\$ 368,876	\$ 442,034	\$ 309,042	\$ 319,089	\$ 335,385
District's covered employee payroll (Calendar Year)	\$ 606,663	\$ 558,564	\$ 512,133	\$ 480,024	\$ 471,269	\$ 447,333	\$ 422,380
District's proportionate share of the net OPEB liability (asset) as a percentage of its of its covered payroll	-4.73%	66.00%	72.03%	92.08%	65.58%	71.33%	79.40%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.4%

Notes: The above schedule will present 10 years of historical data, once such data is available.

CARROLL COUNTY WATER DISTRICT NO. 1
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (OPEB)
COUNTY EMPLOYEES RETIREMENT SYSTEM
Years Ended December 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contributions	\$ 9,991	\$ 20,886	\$ 27,096	\$ 22,849	\$ 26,270	\$ 22,310	\$ 20,112	\$ 17,604	\$ 17,092
Contributions in relation to the contractually required contributions	9,991	20,886	27,096	22,849	26,270	22,310	20,112	17,604	17,092
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll (calendar year)	\$ 606,663	\$ 558,564	\$ 512,133	\$ 480,024	\$ 471,269	\$ 447,333	\$ 422,380	\$ 400,856	\$ 394,012
Contributions as a percentage of covered payroll	1.65%	3.74%	5.29%	4.76%	5.57%	4.98%	4.76%	4.39%	4.33%

Notes: The above schedule will present 10 years of historical data, once such data is available.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2023 AND 2022

1. General Information

Contributions

Contractually required employer contributions reported on the Schedule of the District's Contributions (Pension) – County Employees Retirement System, exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of the District's Contributions (OPEB) – County Employees Retirement System.

Payroll

The District's covered payroll reported on the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Proportionate Share of the Net OPEB Liability is for the District's calendar year and differs from the CERS fiscal year.

2. Changes in Assumptions

December 31, 2023 – Pension & OPEB

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

- Pre-65 initial healthcare trend rate 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 incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 6.30% at January 1, 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 valuation and were incorporated into the liability measurement.

December 31, 2022 – Pension & OPEB

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- Pre-65 initial healthcare trend rate starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of valuation and were incorporated into the liability measurement. Additionally, "Not to Exceed" 2022 Medicare premiums were provided, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2023 AND 2022

2. Changes in Assumptions (Continued)

December 31, 2021 – Pension & OPEB

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become totally and permanently disabled in the line of duty or because of a duty related disability.

The following changes in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- Salary Increases of 3.30% to 10.30%, varies by service
- 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
- Pre-65 initial healthcare trend rate starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of valuation and were incorporated into the liability measurement.

December 31, 2020 – Pension & OPEB

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

- Pre-65 initial healthcare trend rate starting at 7.0% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of valuation and were incorporated into the liability measurement.

December 31, 2019 – Pension & OPEB

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

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.30%
- Salary Increases of 3.30% to 11.55%
- Pre-65 initial healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- Post-65 initial healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2023 AND 2022

2. Changes in Assumptions (Continued)

December 31, 2018 – Pension & OPEB

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

The following assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for OPEB:

- Payroll Growth Rate 4.0%
- Investment Rate of Return 7.50%
- Inflation 3.25%
- Salary Increases 4.0%, average
- Mortality: RP-2000 Combined Mortality Table, Projected to 2013 with Scale BB (set back 1 year for females)
- Pre-65 initial healthcare trend rate starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
- Post-65 initial healthcare trend rate starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

December 31, 2017 – Pension

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

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.3%

December 31, 2016 – Pension

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

December 31, 2015 – Pension

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

- Investment Rate of Return 7.50%
- Inflation 3.25%
- Wage Inflation 0.75%
- Salary Increases 4.0%
- Mortality:
 - Active Members: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
 - Healthy Retired Members & Beneficiaries: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (set back 1 year for females).
 - Disabled Members: RP-2000 Combined Disability Mortality Table, projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

**CARROLL COUNTY WATER DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2023 AND 2022**

2. Changes in Assumptions (Continued)

December 31, 2014 – Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

December 31, 2013 – Pension

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- Payroll Growth Assumption Rate 4.50%
- Investment Rate of Return 7.75%
- Inflation 3.50%
- Mortality: Rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other Members.

RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

P.O. Box 354 • 513 Highland Ave • Carrollton, KY 41008
502-732-6655 • taxes@rzwcpas.com

Dennis S. Raisor, CPA
Jerilyn P. Zapp, CPA
Jeffery C. Woods, CPA
Susan A. Dukes, CPA

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

To the Commissioners of the
Carroll County Water District No. 1
Ghent, KY 41045

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 Carroll County Water District No. 1 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Carroll County Water District No. 1's basic financial statements, and have issued our report thereon dated June 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County Water District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County Water District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County Water District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County Water District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Carroll County Water District No. 1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Carroll County Water District No. 1's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Carroll County Water District No. 1's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Raisor, Zapp & Woods PSC

RAISOR, ZAPP, & WOODS P.S.C
Certified Public Accountants
Carrollton, Kentucky

June 12, 2024

**CARROLL COUNTY WATER DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2023**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Carroll County Water District No. 1 were prepared in accordance with GAAP.
2. Two material weaknesses in internal control related to the audit of the financial statements are reported in the 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*. Items 2023-001 and 2023-002 were reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Carroll County Water District No. 1 which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2023-001 SIZE OF ENTITY, CROSS-TRAINING AND CHECKING PROCEDURES

CONDITION:

District personnel have implemented sound oversight procedures over cash reconciliations and the monthly billing and expense disbursement processes. However, instances were observed where certain adjustments capitalizing assets, recording miscellaneous receipts, posting inventory purchases, adjusting liability accounts to actual, and reconciling bank accounts to the District's general ledger were not made. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2022 as Item 2022-001.

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow timely preparation of financial data consistent with management assertions.

CAUSE:

Cost of system improvements were not capitalized in all cases. Some accruals were not adjusted to reflect actual year end balances. The Kentucky Public Pension Authority's Audit of the County Employees Retirement System by Employer for its year ended June 30, 2023 was not available timely for accurate reporting. Bank statement reconciliations were performed but were not reconciled back to the District's general ledger.

EFFECT:

This limitation may affect the ability to timely record, process, summarize and report financial data.

RECOMMENDATION:

Management should consider financial statement implications when posting to the general ledger to ensure accurate balances. Checking procedures should be in place to review reconciliations performed.

VIEWS of RESPONSIBLE OFFICIALS:

We concur with the recommendation. Management has enhanced and will further advance the monthly review and checking procedures associated with its financial information. Management has provided training in the past to improve internal improvements. Management implemented new accounting software in the calendar year 2023 and experienced turnover of some accounting positions/responsibilities. Management has also contracted with a Certified Public Accountant to assist when requested to create assurances and provide expertise in the area in an efficient manner.

CARROLL COUNTY WATER DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended December 31, 2023

C. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

2023-002 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES

CONDITION:

District financial statements, including the required disclosures, are prepared as part of the annual audit. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2022 as 2022-002.

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

CAUSE:

The draft financial statements and disclosures are prepared during the audit process. Recommended adjusting entries are approved and entered into the District's general ledger.

EFFECT:

Management engaged the auditor to assist with the preparation of the draft financial statements, including the related notes.

RECOMMENDATION:

District management should continue to enhance its knowledge of reporting requirements in providing oversight of this service.

VIEWS of RESPONSIBLE OFFICIALS:

As in the past, the outsourcing of this service is a result of management's cost benefit decision to avoid incurring internal resource costs. We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities. We are aware of our responsibilities for the financial statements. Management is continuing in the efforts to make improvements within bookkeeping procedures. It also realizes that the Governmental Accounting Standards Board (GASB) continues to change its generally accepted accounting principles (GAAP) for the state and local governments. Therefore, management will be seeking a trustworthy source to obtain additional assistance in this matter.

COMPLIANCE AND OTHER MATTERS

NONE