

CORINTH WATER DISTRICT
FINANCIAL STATEMENTS

For Years Ending December 31, 2023 and 2022

<p>CORINTH WATER DISTRICT</p> <p>FINANCIAL STATEMENTS</p> <p>For Years Ending December 31, 2023 and 2022</p>

Table of Contents

	<u>Pages</u>
Board of Commissioners	1
Financial Section	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Statements of Net Position	9-10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to the Financial Statements	13-30
Required Supplementary Information	
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure - Non-Hazardous Plan	31
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure - Non-Hazardous Plan	32
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 <i>Government Auditing Standards</i>	33-34

CORINTH WATER DISTRICT
BOARD OF COMMISSIONERS
December 31, 2023 and 2022

Chair

Dan Field

Treasurer

Cherish Kennedy

Secretary

Ashley Lauderman

Legal Counsel

Pete Whaley, Attorney at Law

INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
Corinth Water District
Corinth, Kentucky**

Opinions

We have audited the accompanying financial statements of the business-type activities of the Corinth Water District (District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corinth Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Corinth Water District as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corinth Water District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2024, on our consideration of the Corinth Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corinth Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corinth Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
June 5, 2024

**CORINTH WATER DISTRICT
P.O. BOX 218
CORINTH, KY 41010**

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the District’s financial performance provides an overview of the District’s financial activities for the year ended December 31, 2023. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by \$1,043,117 (net position). Net position increased by \$53,626 from the prior year.
- At the end of the current year, unrestricted net position was (\$3,195), which is an increase of \$90,361 from the prior year.

USING THIS ANNUAL REPORT

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

Basis of Accounting

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

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

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

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

SUMMARY OF NET POSITION

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

**Table 1
Net Position**

	2023	2022	2021
Current assets	\$ 356,826	\$ 284,360	\$ 196,282
Restricted assets	186,035	176,973	151,922
Capital assets	2,626,944	2,755,007	2,901,454
Deferred outflow of resources	82,561	115,507	153,323
Total assets and deferred outflow of resources	<u>3,252,366</u>	<u>3,331,847</u>	<u>3,402,981</u>
Current liabilities	38,993	44,199	46,851
Liabilities from restricted assets	80,000	81,851	4,376
Long-term liabilities	1,975,111	2,151,546	2,298,458
Deferred inflow of resources	115,145	64,760	129,825
Total liabilities and deferred inflow of resources	<u>2,209,249</u>	<u>2,342,356</u>	<u>2,479,510</u>
Net position:			
Invested in capital assets, net of related debt	860,277	906,074	894,811
Restricted	186,035	176,973	151,922
Unrestricted	<u>(3,195)</u>	<u>(93,556)</u>	<u>(123,262)</u>
Total net position	<u>\$ 1,043,117</u>	<u>\$ 989,491</u>	<u>\$ 923,471</u>

The District's net position for 2023 increased by \$53,626, or 5.42%, as compared to a \$66,020, or 7.15% increase in the previous year. The 2023 increase is due to a higher operating income and lower interest on long-term bond obligations during the year.

The largest portion of the District's net position, \$860,277, reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the District's net position, \$186,035, is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

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

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

Operating revenues decreased \$105, or -0.01%. This was primarily due to a slight decrease in Metered Water Sales that was offset by an increase in Forfeited Discounts.

Operating Expenses

Operating expenses increased \$12,593 or 1.58%. The District experienced increases in contractual services, salaries and benefits, and materials and supplies during 2023.

Net Effect of Change in Pension and OPEB Expense

This reduction in expense represents the amount of the District's proportionate share of the estimated unfunded pension and OPEB liability associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a reduction of a non-operating expense, \$14,930, is the result of booking the change in the liability and the related deferred inflows and outflows less any amortization of those inflows and outflows between December 31, 2023 and December 31, 2022. See Note 6 to the financial statements for a more complete explanation of this unfunded liability and the related deferred inflows and outflows.

Capital Contributions

Capital contributions increased \$3,200 from 2023 to 2022.

Table 2 provides a summary of the change in the District's net position at December 31, 2023, 2022 and 2021.

Table 2
Changes in Net Position

	2023	2022	2021
Operating revenues:			
Water revenue	\$ 820,941	\$ 821,856	\$ 778,259
Forfeited discounts	43,585	39,069	1,789
Miscellaneous service revenues	5,354	9,060	7,260
Total operating revenues	869,880	869,985	787,308
Total operating expenses	807,318	794,725	759,993
Net operating (loss) income	62,562	75,260	27,315
Non-operating income (expense):			
Interest income	3	1	(72)
Net effect of change in pension and OPEB expense	14,929	20,385	26,591
Amortization of bond costs	(1,825)	(1,825)	(608)
Interest on long-term obligations	(39,643)	(42,201)	(65,589)
Net non-operating expense	(26,536)	(23,640)	(39,678)
Net income (loss)	36,026	51,620	(12,363)
Capital contributions	17,600	14,400	20,200
Change in net position	53,626	66,020	7,837
Net position, January 1	989,491	923,471	915,634
Net position, December 31	\$ 1,043,117	\$ 989,491	\$ 923,471

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023, the District had \$2,626,944 invested in capital assets including land, water lines, vehicles, and equipment, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of \$128,063 from the prior year. This decrease is due to the fact that depreciation expense of \$160,970 exceeded the cost of new assets purchased during 2023.

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

Table 3
Capital Assets at Year End

	2023	2022	2021
Land	\$ 21,200	\$ 21,200	\$ 21,200
Buildings and improvements	105,885	105,885	105,885
Lines and equipment	6,516,687	6,483,780	6,468,788
Office furniture and fixtures	24,048	24,048	24,048
Transportation equipment	51,573	51,573	51,573
Subtotal	6,719,393	6,686,486	6,671,494
Accumulated depreciation	(4,092,449)	(3,931,479)	(3,770,040)
Total capital assets	<u>\$ 2,626,944</u>	<u>\$ 2,755,007</u>	<u>\$ 2,901,454</u>

The District currently has no construction in progress.

Debt Outstanding

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

Table 4
Outstanding Debt at Year End

	2023	2022	2021
Bonds payable	\$ 1,846,667	\$ 1,926,250	\$ 2,000,000
Note payable	-	2,267	6,643
Total outstanding debt	<u>\$ 1,846,667</u>	<u>\$ 1,928,517</u>	<u>\$ 2,006,643</u>

At year-end, the District had \$1,846,667 in outstanding debt compared to \$1,928,517 the previous year. This is a decrease of \$81,850.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Our budget for 2024 projects operating revenues to increase approximately \$16,632 from the amount reported for 2023 and operating expenses to decrease approximately \$56,641 from the amount reported for 2023 resulting in a projected increase of operating income of about \$73,273 from 2023. The decrease in operating expenses is due to an anticipated decrease in materials and supplies since numerous meters were replaced in 2023. The projected increase in operating income will be decreased by non-operating revenues (expenses) of about (\$30,195). This will result in a projected increase in Net Position to an additional \$52,014 above the 2023 increase.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administrative office at Thomas Lane, Corinth, Kentucky 41010.

Tara Wright

Tara Wright, Manager
Corinth Water District

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

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 179,164	\$ 140,159
Accounts receivable - customers, net of allowance	91,725	116,186
Inventories	81,465	25,465
Prepaid insurance	4,472	2,550
Total current assets	<u>356,826</u>	<u>284,360</u>
Restricted assets		
Reserve funds	60,600	60,600
Sinking funds	125,435	116,373
Total restricted assets	<u>186,035</u>	<u>176,973</u>
Capital assets		
Land	21,200	21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,516,687	6,483,780
Office furniture and fixtures	24,048	24,048
Transportation equipment	51,573	51,573
Total utility plant in service	6,719,393	6,686,486
Less accumulated depreciation	(4,092,449)	(3,931,479)
Total capital assets, net of depreciation	<u>2,626,944</u>	<u>2,755,007</u>
Total assets	3,169,805	3,216,340
Deferred outflow of resources		
Bond costs	38,321	40,146
Deferred outflows related to pensions and OPEB	44,240	75,361
Total assets and deferred outflow of resources	<u>3,252,366</u>	<u>3,331,847</u>

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

(Continued on page 10)

CORINTH WATER DISTRICT STATEMENTS OF NET POSITION (continued from page 9) December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities		
Current liabilities		
Accounts payable - general	24,624	30,236
Customer deposits	4,400	4,480
Withheld and accrued liabilities	9,969	9,483
Total current liabilities	<u>38,993</u>	<u>44,199</u>
Current liabilities payable from restricted assets		
Note payable - Huntington bank	-	2,267
Bonds payable - Kentucky Bond Corporation	80,000	79,584
Total current liabilities payable from restricted assets	<u>80,000</u>	<u>81,851</u>
Long-term liabilities		
Note payable - Huntington Bank	-	-
Bonds payable - Kentucky Bond Corporation	1,766,667	1,846,666
Net unfunded pension and OPEB liability	208,444	304,880
Total long-term liabilities	<u>1,975,111</u>	<u>2,151,546</u>
Total liabilities	2,094,104	2,277,596
Deferred inflow of resources		
Deferred inflow related to pensions and OPEB	<u>115,145</u>	<u>64,760</u>
Total liabilities and deferred inflow of resources	<u>2,209,249</u>	<u>2,342,356</u>
Net position		
Invested in capital assets, net of related debt	860,277	906,074
Restricted	186,035	176,973
Unrestricted	<u>(3,195)</u>	<u>(93,556)</u>
Total net position	<u>\$ 1,043,117</u>	<u>\$ 989,491</u>

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

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

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water revenue	\$ 820,941	\$ 821,856
Forfeited discounts	43,585	39,069
Miscellaneous service revenues	5,354	9,060
Total operating revenues	<u>869,880</u>	<u>869,985</u>
Operating expenses		
Salaries and wages - employees	121,829	106,699
Salaries and wages - officer and directors	13,946	13,946
Employee benefits	30,454	29,965
Retirement benefits	25,072	24,934
Payroll taxes	10,387	9,229
Bad debt expenses	15,567	22,055
Contractual services	79,883	73,593
Depreciation expenses	160,970	161,439
Education/training	2,004	3,486
Insurance expenses	11,113	8,317
Materials and supplies	86,683	26,135
Miscellaneous expenses	2,359	3,394
Purchased power	6,441	6,958
Purchased water	219,650	284,494
Taxes other than income taxes	1,133	1,198
Transportation expenses	19,827	18,883
Total operating expenses	<u>807,318</u>	<u>794,725</u>
Operating income	<u>62,562</u>	<u>75,260</u>
Non-operating income (expense)		
Interest income	3	1
Net effect of change in pension and OPEB	14,929	20,385
Amortization of bond cost	(1,825)	(1,825)
Interest on long-term obligations	(39,643)	(42,201)
Net non-operating expense	<u>(26,536)</u>	<u>(23,640)</u>
Net income (loss)	36,026	51,620
Capital contributions	<u>17,600</u>	<u>14,400</u>
Change in net position	53,626	66,020
Net position, January 1	<u>989,491</u>	<u>923,471</u>
Net position, December 31	<u>\$ 1,043,117</u>	<u>\$ 989,491</u>

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

CORINTH WATER DISTRICT STATEMENTS OF CASH FLOWS For Years Ending December 31, 2023 and 2022
--

	2023	(Reclassified) 2022
Cash flows from operating activities		
Received from customers	\$ 894,341	\$ 865,425
Paid to suppliers for goods and services	(508,274)	(464,683)
Paid to or on behalf of employees for services	(201,202)	(184,905)
Net change in cash for operating activities	<u>184,865</u>	<u>215,837</u>
Cash flows from investing activities		
Interest on investments	3	1
Expenditures for construction and equipment	(32,907)	(14,992)
Contributions in aid of construction	17,600	14,400
Net change in cash for investing activities	<u>(15,304)</u>	<u>(591)</u>
Cash flows from capital and related financing activities		
Interest on long-term debt	(39,643)	(42,201)
Proceeds from loan	-	-
Payments on long-term debt	(81,851)	(78,126)
Net change in cash for capital and related financing activities	<u>(121,494)</u>	<u>(120,327)</u>
Change in cash and cash equivalents	48,067	94,919
Cash and cash equivalents-beginning of year	<u>317,132</u>	<u>222,213</u>
Cash and cash equivalents-end of year	<u><u>\$ 365,199</u></u>	<u><u>\$ 317,132</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 62,562	\$ 75,260
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	160,970	161,439
Change in operating assets and liabilities		
Decrease (increase) in receivables	24,461	(4,560)
Decrease (increase) in inventories	(56,000)	(13,270)
Decrease (increase) in prepaid assets	(1,922)	(380)
(Decrease) increase in accounts payable	(5,612)	(1,240)
(Decrease) increase in withheld and accrued liabilities	486	(132)
Decrease in customer deposits	(80)	(1,280)
Net cash provided by operating activities	<u><u>\$ 184,865</u></u>	<u><u>\$ 215,837</u></u>
Supplemental information		
Interest paid	<u><u>\$ (39,643)</u></u>	<u><u>\$ (42,201)</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position		
Cash and cash equivalents - current	\$ 179,164	\$ 140,159
Cash - restricted	186,035	176,973
Cash and cash equivalents, December 31, 2023	<u><u>\$ 365,199</u></u>	<u><u>\$ 317,132</u></u>

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

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corinth Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Pendleton, and Harrison Counties in Kentucky. The District was created by the Grant County Court on January 11, 1965 under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

Regulatory Requirements

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

Basis of Accounting

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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

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

Allowance for Bad Debts

The District uses the allowance method to account for bad debts. The balances of the allowance for bad debts were \$8,300 and \$5,300 at December 31, 2023, and 2022, respectively.

Cash Equivalents

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

Budgets

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

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

Inventories

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

Deferred Outflows and Inflows of Resources

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

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

Distribution System, Building, and Equipment

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

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and other contributions to recover the costs of extensions of the distribution system. During 2023 and 2022 these contributions consisted of the following:

<u>Source</u>	<u>2023</u>	<u>2022</u>
Tap in fees and construction costs paid by new customers	\$ 17,600	\$ 14,400
Total capital contributions received in aid of construction	<u>\$ 17,600</u>	<u>\$ 14,400</u>

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

Purchased Water Costs

The District is dependent on the City of Williamstown as its sole supplier of water. On September 1, 2004, the District signed an agreement with the City of Williamstown to extend this water service agreement for the next 42 years.

Income Tax Status

The District is exempt from federal and state income taxes since it is a political subdivision of the Grant County Court. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

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

Operating Revenues and Non-Operating Revenues

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking and savings accounts and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statements of net position as “Cash and Cash Equivalents” and “Restricted Assets”. The balances for “Cash and Cash, Equivalents” were \$179,164 and \$140,159 at December 31, 2023 and 2022, respectively.

The balances for “Restricted Assets” were \$186,035 and \$176,973 at December 31, 2023 and 2022, respectively. The District’s investment policy allows investments only in the form of savings accounts and certificates of deposit at local banks in Grant County, Kentucky. The District holds funds at Forcht Bank. The FDIC insures bank deposits for amounts up to \$250,000 per banking institution. The District had \$304,599 in District funds at Forcht Bank, Leaving \$54,599 uninsured. In accordance with GASB 40, there is market risk on these savings account investments.

NOTE 3 – RESTRICTED NET POSITION

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

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Reserve fund	\$ 60,600	\$ 60,600
Sinking fund	125,435	116,373
Total Restricted Net Position	<u>\$ 186,035</u>	<u>\$ 176,973</u>

NOTE 4 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

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

Buildings and improvements	10-40 years
Furniture and fixtures	5-20 years
Machinery and equipment	3-10 years
Transportation equipment	5 years
Transmission lines and distribution systems	10-40 years

The following amounts are included in capital assets at December 31, 2023 and 2022:

<u>Asset Type</u>	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2023</u>
Land	\$ 21,200	\$ -	\$ -	\$ 21,200
Buildings and improvements	105,885	-	-	105,885
Distribution reservoirs and pipes	409,285	-	-	409,285
Furniture and fixtures	24,048	-	-	24,048
Hydrants	122,814	-	-	122,814
Meter system and installation	1,020,665	27,962	-	1,048,627
Supply mains	13,191	-	-	13,191
Tools and equipment	23,172	4,945	-	28,117
Transmission mains	4,894,653	-	-	4,894,653
Transportation equipment	51,573	-	-	51,573
Subtotal	<u>6,686,486</u>	<u>32,907</u>	<u>-</u>	<u>6,719,393</u>
Accumulated depreciation	<u>(3,931,479)</u>	<u>(160,970)</u>	<u>-</u>	<u>(4,092,449)</u>
Capital assets, net	<u>\$ 2,755,007</u>	<u>\$ (128,063)</u>	<u>\$ -</u>	<u>\$ 2,626,944</u>

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – LONG TERM DEBT

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

Debt Instrument	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023
Huntington Bank Loan	2,267	-	(2,267)	(0)
KY Bond Corporation	1,926,250	-	(79,583)	1,846,667
Subtotal	1,928,517	<u>\$ -</u>	<u>\$ (81,850)</u>	1,846,667
Less: current portion of long-term debt	(81,851)			(80,000)
Total Long-Term Indebtedness	<u>\$ 1,846,666</u>			<u>\$ 1,766,667</u>

Note Payable – Huntington Bank

On March 13, 2017, the District signed a 75-month loan agreement with Huntington Bank for the purchase of a pick-up truck in the amount of \$23,636 at a fixed annual interest rate of 7.0744%. Principal and interest are payable in seventy-five (75) monthly installments in the amount of \$393 each and any outstanding principal and accrued interest will be due and payable in full on the maturity date of June 13, 2023. This loan is secured by the pick-up truck. This loan was paid in full as of 12/31/23.

Water Revenue Bonds, Kentucky Bond Corporation

On July 23, 2021, the District issued water revenue bonds in the amount of \$2,020,000. These bonds were issued to pay off the capital lease balance of \$1,916,821 previously held by the District. The interest rate is 2.576% per year. Interest is payable on the first day of each month. Principal installments mature in 2021 through 2045. Collateral includes water lines, meters, and pumping equipment of the District.

The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest & Fees Amount	Total Debt Service
2024	0.000%	\$ 80,000	\$ 43,050	\$ 123,050
2025	0.000%	80,000	41,250	121,250
2026	0.000%	84,583	39,450	124,033
2027	0.000%	85,000	37,547	122,547
2028	0.000%	89,584	35,635	125,219
2029-2033	0.000%	474,166	147,196	621,362
2034-2038	0.000%	501,667	91,499	593,166
2039-2043	0.000%	391,250	38,116	429,366
2044-2045	0.000%	60,417	2,194	62,611
Totals		<u>\$ 1,846,667</u>	<u>\$ 475,937</u>	<u>\$ 2,322,604</u>

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

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

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

Membership in CERS consisted of the following at June 30, 2022:

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

PENSION PLAN

Non-Hazardous Pension Plan Description

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

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

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

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

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

Contributions

The District contributed 26.79% of covered-employee's compensation (from January – June 2023) of which 23.40% was for the pension fund and 3.39% was for the health insurance fund and contributed 23.34% of covered-employee's compensation (from July – December 2023), of which 23.34% was for the pension fund and 0.00% was for the health insurance fund.

The District made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$25,072, of which \$23,390 was for the pension fund and \$1,682 was for the health insurance fund.

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

At December 31, 2023, the District reported a liability of \$213,028 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District 's proportion of the net pension liability was based on a projection of the District 's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2023 measurement year, the District 's non-hazardous employer allocation proportion was 0.00332% of the total CERS non-hazardous duty employees. For the year ended December 31, 2023, the District recognized pension expense of \$2,964 in addition to its \$23,390 pension contribution.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022
--

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

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 11,028	\$ (579)
Net difference between projected actual earnings on plan investments	-	(2,906)
Changes of assumptions	-	(19,524)
Changes in proportion and differences between contributions and proportionate share of contributions	1,602	(5,589)
Contributions subsequent to the measurement date	11,781	-
	<u>\$ 24,411</u>	<u>\$ (28,598)</u>

The District's contributions subsequent to the measurement date of \$11,781 will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

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

Measurement Year Ending June 30,	Net Deferral
2024	\$ (10,643)
2025	(8,017)
2026	4,756
2027	(2,063)
2028	-
Thereafter	-
	<u>\$ (15,967)</u>

Actuarial Methods and Assumptions for Determining the Net Pension Liability

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

Changes of Assumptions

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

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

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

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

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

The actuarial assumptions are:

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

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

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022**

PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount Rate

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

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

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

Plan Target Allocation

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

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022**

Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	<u>100.00%</u>	<u>5.75%</u>
Long-Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>8.25%</u>

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Non-hazardous	\$ 268,961	\$ 213,028	\$ 166,546
Total	<u>\$ 268,961</u>	<u>\$ 213,028</u>	<u>\$ 166,546</u>

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

<p>CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022</p>

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

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

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The District contributed 3.39% of covered-employee's compensation (from January – June 2023) and contributed 0.00% of covered-employee's compensation (from July – December 2023) for the health insurance fund. These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2023, the District recognized OPEB gain of \$17,896 in addition to its \$1,682 OPEB contribution.

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

At December 31, 2023, the District reported an asset of \$4,584 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities,

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022
--

actuarially determined. At the June 30, 2023 measurement year, the District's proportion of the total non-hazardous plan was 0.00332%. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 3,196	\$ (65,086)
Net difference between projected actual earnings on plan investments	-	(1,064)
Changes of assumptions	9,021	(6,286)
Changes in proportion and differences between contributions and proportionate share of contributions	7,612	(14,111)
Contributions subsequent to the measurement date	-	-
	<u>\$ 19,829</u>	<u>\$ (86,547)</u>

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

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

Measurement Year Ending June 30,	Net Deferral
2024	\$ (21,203)
2025	(17,723)
2026	(15,233)
2027	(12,558)
2028	-
Thereafter	-
	<u>\$ (66,717)</u>

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

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability (asset), net OPEB liability (asset), and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB

<p>CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022</p>

liability(asset) was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

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

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous
Initial Rate of Return	
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

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

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

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

<p>CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022</p>

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

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

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

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022**

Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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

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

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

Changes of Assumptions

The discount rates used to calculate the total OPEB liability (asset) increased from 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

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

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022**

that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Plan Target Allocation

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

Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

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

The following presents the proportionate share of the net OPEB liability (asset) calculated using the discount rates of 5.93% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability (Asset)		
	1.00% Decrease 4.93%	Current Rate 5.93%	1.00% Increase 6.93%
Discount Rate, Non-Hazardous			
Net OPEB liability (asset), Non-Haz	\$ 8,602	\$ (4,584)	\$ (15,625)
Total	\$ 8,602	\$ (4,584)	\$ (15,625)

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

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

	Proportionate Share of Net OPEB Liability (Asset)		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability (asset), non-hazardous	\$ (14,692)	\$ (4,584)	\$ 7,833
Total	\$ (14,692)	\$ (4,584)	\$ 7,833

Plan Fiduciary Net Position

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

NOTE 7 – RELATED PARTY TRANSACTIONS

Tara Wright, the Manager of the Water District, acts as both the Manager of the Water District and the City Clerk of the City of Corinth. The District has normal business relations with the City of Corinth. Some minor reimbursable expenses have been paid by one entity and reimbursed by/to the other.

NOTE 8 – RISKS/COMMITMENTS/CONTINGENCIES

Corinth Water District depends upon the credit given to a large group of individual customers. The revenue from individuals is significantly larger than the revenue from corporations. Therefore, there is considerably less cash flow risk from the failure of a single customer to pay.

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS IN CURRENT YEAR

Statement No. 91 – *Conduit Debt Obligations*

Statement No. 99 – *Omnibus 2022*

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

NOTE 10 – FUTURE ACCOUNTING STANDARDS

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

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

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

NOTE 11 – ECONOMIC DEPENDENCY/CREDIT RISK

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

NOTE 12 – RECLASSIFICATION OF PRIOR YEAR FINANCIAL STATEMENTS

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

NOTE 13 - SUBSEQUENT EVENTS

Management has considered the need to recognize or disclose subsequent events through June 5, 2024, which represents the date on which the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2023 through June 5, 2024 to disclose.

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.00332%	0.00331%	0.00357%	0.00258%	0.00359%	0.00567%	0.00528%	0.00546%	0.00591%	
Proportionate share of the net pension liability (asset)	\$ 213,028	\$ 239,497	\$ 227,807	\$ 197,730	\$ 252,275	\$ 345,016	\$ 309,172	\$ 268,880	\$ 254,132	
Covered payroll in year of measurement (July - June)	96,370	91,624	91,265	66,035	90,479	140,419	128,604	130,276	137,904	
Share of the net pension liability (asset) as a percentage of its covered payroll	221.05%	261.39%	249.61%	299.43%	278.82%	245.70%	240.41%	206.39%	184.28%	
Plan fiduciary net position as a percentage of total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	55.50%	59.97%	66.80%	

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 23,390	\$ 20,687	\$ 17,991	\$ 17,706	\$ 7,717	\$ 22,038	\$ 17,940	\$ 16,180	\$ 17,583	\$ 19,115
Actual contribution	23,390	20,687	17,991	17,706	7,717	22,038	17,940	16,180	17,583	19,115
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll in District's fiscal year (Jan. - Dec.)	100,088	92,795	88,799	91,743	43,333	143,846	130,789	127,566	132,430	141,300
Contributions as a percentage of covered payroll	23.37%	22.29%	20.26%	19.30%	17.81%	15.32%	13.72%	12.68%	13.28%	13.53%

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

The net pension liability (asset) as of December 31, 2023, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.00332%	0.00331%	0.00357%	0.00258%	0.00359%	0.005670%				
Proportionate share of the net pension liability (asset)	\$ (4,584)	\$ 65,383	\$ 68,384	\$ 62,227	\$ 60,315	\$ 100,581				
Covered payroll in year of measurement (July - June)	96,370	91,624	91,265	66,035	90,479	140,419				
Share of the net pension liability (asset) as a percentage of its covered payroll	-4.76%	71.36%	74.93%	94.23%	66.66%	71.63%				
Plan fiduciary net position as a percentage of total pension liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,682	\$ 4,246	\$ 4,692	\$ 4,367	\$ 2,168	\$ 7,150	\$ 6,491			
Actual contribution	1,682	4,246	4,692	4,367	2,168	7,150	6,491			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll in District's fiscal year (Jan. - Dec.)	100,088	92,795	88,799	91,743	43,333	143,846	130,789			
Contributions as a percentage of covered payroll	1.68%	4.58%	5.28%	4.76%	5.00%	4.97%	4.96%			

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

The net OPEB liability (asset) as of December 31, 2023, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

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

**To the Board of Commissioners
Corinth Water District
Corinth, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Corinth Water District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Corinth Water District’s basic financial statements and have issued our report thereon dated June 5, 2024.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Corinth Water District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corinth Water District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Corinth Water District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described below, that we consider significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.

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.

Lack of Segregation of Duties

Condition: We noted that, due to the size of the District and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District could be paid for from the District's cash account.

Recommendation: Internal controls should continue to be implemented to segregate the duties of the personnel. Controls should be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

Compliance and Other Matters

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

June 5, 2024