

EAST CLARK COUNTY WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

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SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
East Clark County Water District
Winchester, KY

Opinions

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the East Clark County Water District, as of December 31, 2024 and December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing 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 East Clark 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment 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 East Clark County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Clark County Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7, budgetary comparison information on page 40, and schedules of proportionate of net pension liability and contributions and net OPEB liability and contributions on pages 33-39 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Clark County Water District's basic financial statements. The Statement of Revenue, Expenditures, and Changes in Net Position- Budget to Actual, Statement of Functional Expenses- 2024 and Statement of Functional Expenses – 2023 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the Statement of Revenue, Expenditures, and Changes in Net Position- Budget to Actual, Statement of Functional Expenses- 2024 and Statement of Functional Expenses – 2023 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to solely 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 East Clark County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY

March 31, 2025

**EAST CLARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2024 and 2023**

East Clark County Water District (the District) is presenting the following discussion and analysis to provide an overall review of the District's financial activities for the fiscal years ending December 31, 2024, 2023, and 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

2024 FINANCIAL HIGHLIGHTS

- The District's operating revenues and operating expenses remained consistent with the prior year.
- During 2024 the District received \$528,517 in additional Clean Water Grants. As a result, the District's total assets plus deferred outflows of resources increased \$493,854 or 5.16%. Total liabilities and deferred inflows of resources decreased \$189,549 or 8.97% from 2023 to 2024. Net position increased \$666,261 or 8.53% from 2023 to 2024.
- Interest income for 2024 was \$78,978 which is an increase of \$38,919 over interest income in 2023.

GENERAL INFORMATION ABOUT EAST CLARK COUNTY WATER DISTRICT

The East Clark County Water District was organized in 1967 pursuant to Chapter 74 of the Kentucky Revised Statutes. Management is vested in a five-member commission consisting of a chairman and four commissioners appointed by Clark County Fiscal Court.

The District relies on Winchester Municipal Utilities and Kentucky American Water Company for its water supply. Water is pumped to approximately 2800 customers through more than 197 miles of water mains. The Kentucky Public Service Commission (PSC) regulates the District in matters of rates, rules, and levels of service.

DISTRICT FINANCIAL ANALYSIS

The Statements of Net Position include all the District's assets and liabilities. These statements provide information about the nature and amounts of investments in resources and the obligations to creditors, which are the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District. A summary of the District's Statements of Net Position is presented below.

EAST CLARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
DECEMBER 31, 2024 AND 2023

Condensed Statements of Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 2,701,218	\$ 2,492,615	\$ 2,293,622
Capital Assets, net of depreciation	<u>7,390,054</u>	<u>7,071,377</u>	<u>7,243,691</u>
Total Assets	<u>10,091,272</u>	<u>9,563,992</u>	<u>9,537,313</u>
Deferred Outflows of resources	<u>308,114</u>	<u>341,540</u>	<u>347,561</u>
Debt outstanding	516,206	604,528	686,960
Other liabilities	<u>1,024,804</u>	<u>1,022,891</u>	<u>1,291,829</u>
Total liabilities	<u>1,541,010</u>	<u>1,627,419</u>	<u>1,978,789</u>
Deferred Inflows of resources	<u>382,138</u>	<u>485,278</u>	<u>237,736</u>
Investment in capital assets, net of depreciation	6,873,848	6,466,849	6,556,731
Restricted net assets	103,998	94,471	90,520
Unrestricted net assets	<u>1,498,392</u>	<u>1,248,657</u>	<u>1,021,098</u>
Total net position	\$ <u>8,476,238</u>	\$ <u>7,809,977</u>	\$ <u>7,668,349</u>

Net position increased \$666,261 from 2024 to 2023, an increase of 8.53%. Debt outstanding decreased \$88,322 or 14.61% from 2023.

Condensed Statements of Revenue, Expenditures, and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 1,802,347	\$ 1,758,534	\$ 1,690,894
Non-operating revenues	<u>613,418</u>	<u>66,559</u>	<u>34,422</u>
Total revenues	<u>2,415,765</u>	<u>1,825,093</u>	<u>1,725,316</u>
Operating Expenses	1,402,122	1,336,928	1,395,674
Depreciation	390,074	378,743	378,393
Non-operating expense	<u>18,008</u>	<u>21,094</u>	<u>26,896</u>
Total expenses	<u>1,810,204</u>	<u>1,736,765</u>	<u>1,800,963</u>
Net income	605,561	88,328	(75,647)
Customer connection fees	<u>60,700</u>	<u>53,300</u>	<u>53,726</u>
Change in net position	666,261	141,628	(21,921)
Beginning net position	<u>7,809,977</u>	<u>7,668,349</u>	<u>7,690,270</u>
Ending net position	\$ <u>8,476,238</u>	\$ <u>7,809,977</u>	\$ <u>7,668,349</u>

In 2024, the District's operating revenue increased \$43,813 or 2.49% over 2023. Non-operating revenue consisted of interest income of \$78,978, grant proceeds of \$528,517, and a gain on sale of assets of \$5,923 for a total of \$613,418. In 2023, non-operating revenue consisted of interest income of \$40,050 and grant proceeds of \$26,500. In 2022, non-operating revenue consisted of interest income of \$8,681 and sale of scrap of \$25,731.

EAST CLARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
DECEMBER 31, 2024 AND 2023

Operating expenses increased by \$76,525 during 2024, which was a 4.46% increase. Increases were primarily due to increases in personnel costs, operating supplies and purchased water. In 2023, operating expenses decreased \$58,396 or 3.29%. The decrease was due to decreases in purchased water, employee compensation and benefits, and transmission/distribution supplies. The increase in depreciation between 2024 and 2023 was \$11,331 or 2.99%. Non-operating expense consisted solely of interest expense on debt of \$18,008, \$21,094, and \$26,896, for the three years 2024, 2023, and 2022, respectively.

CAPITAL EXPENDITURES

		2024		2023		2022
Capital Assets	\$	14,933,084	\$	14,449,366	\$	14,242,937
Accumulated depreciation		(7,543,030)		(7,377,989)		(6,999,246)
	\$	<u>7,390,054</u>	\$	<u>7,071,377</u>	\$	<u>7,243,691</u>

In 2019, the District began a waterline extension project which was temporarily suspended in 2020, due to the coronavirus pandemic. The project was resumed in early 2023 when it was safe to contact landowners in the area. In 2024, the District continued work on two clean water projects and completed a line extension on Highway 15 at Kiddville Road. Acquisitions of equipment were financed from the District's reserve funds in 2024, 2023 and 2022. Contributions to capital for new meters tapped on to existing lines amounted to \$60,700, \$53,300 and \$53,726 in 2024, 2023 and 2022 respectively.

BONDS AND CAPITAL LEASE OBLIGATIONS

	2024		2023		2022
Bonds	\$ 510,000	\$	595,000	\$	675,000
Premium/(Discount)	6,206		9,528		11,960
Total	<u>\$ 516,206</u>	\$	<u>604,528</u>	\$	<u>686,960</u>

The District made all its scheduled debt payments during 2024, 2023 and 2022.

ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

The District continued to experience new growth from new meter installations on existing waterlines during 2024. The growth is attributed to new housing starts in Clark County and is expected to continue in 2025.

The District purchases water from Winchester Municipal Utilities and Kentucky American Water Company for distribution to District customers. Water rate increases by these supplies are passed on to District customers as they occur.

Due to the increases in transmission costs and other operating expenses the District has operated at a loss for several years. The District petitioned the Kentucky Public Service Commission and was granted a rate increase in 2022. Net operating income was \$42,863 in 2023 but declined to \$10,151 in 2024. Another rate increase is anticipated in the near future.

EAST CLARK COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
DECEMBER 31, 2024 AND 2023

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the utility's finances and to demonstrate the utility's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact East Clark County Water District, 118 Hopkins Street, Winchester, KY 40392 or by phone at (859) 745-1458 or by email at wdballard@bellsouth.net.

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 673,899	\$ 571,811
Investments	1,623,817	1,543,032
Receivables:		
Customer accounts	122,574	129,389
Unbilled	61,443	52,210
Accrued interest	14,811	22,985
Inventory, at cost	73,306	58,270
Prepaid expenses	25,851	20,447
	<hr/>	<hr/>
Total current assets	2,595,701	2,398,144
	<hr/>	<hr/>
Restricted assets:		
Cash and cash equivalents	82,564	94,471
	<hr/>	<hr/>
Total restricted assets	82,564	94,471
	<hr/>	<hr/>
Capital assets:		
Property, plant and equipment, net of depreciation	6,673,784	6,865,046
Construction in progress	626,226	116,287
Land	90,044	90,044
	<hr/>	<hr/>
Total capital assets	7,390,054	7,071,377
	<hr/>	<hr/>
Other noncurrent assets:		
Net OPEB asset	22,953	17,142
	<hr/>	<hr/>
Total other noncurrent assets	22,953	17,142
	<hr/>	<hr/>
Total assets	10,091,272	9,581,134
	<hr/>	<hr/>
Deferred outflows of resources	308,114	341,540
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 10,399,386</u>	<u>\$ 9,922,674</u>

(CONTINUED)

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2024 AND 2023

LIABILITIES AND NET POSITION

	<u>2024</u>	<u>2023</u>
Current liabilities:		
Accounts payable, trade	\$ 10,835	\$ 8,644
Accrued compensated absences	24,358	20,410
Accrued interest payable	8,695	9,741
Accrued liabilities	34,820	42,735
Refundable customer deposits	151,537	144,687
Revenue bonds - current portion	<u>75,000</u>	<u>80,000</u>
Total current liabilities	<u>305,245</u>	<u>306,217</u>
Long-term liabilities:		
Revenue bonds net of current portion	441,206	524,528
Net OPEB liability	-	-
Net pension liability	<u>794,559</u>	<u>796,674</u>
Total long-term liabilities	<u>1,235,765</u>	<u>1,321,202</u>
Total liabilities	<u>1,541,010</u>	<u>1,627,419</u>
Deferred inflows of resources	<u>382,138</u>	<u>485,278</u>
Net Position		
Net Investment in capital assets	6,873,848	6,466,849
Restricted:		
Restricted for debt retirement	103,998	108,648
Unrestricted	<u>1,498,392</u>	<u>1,234,480</u>
Total net position	<u>8,476,238</u>	<u>7,809,977</u>
Total liabilities, net position and deferred inflows of resources	<u><u>\$ 10,399,386</u></u>	<u><u>\$ 9,922,674</u></u>

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating revenues		
Water sales	\$ 1,759,178	\$ 1,716,969
Other operating income	<u>43,169</u>	<u>41,565</u>
Total operating revenues	<u>1,802,347</u>	<u>1,758,534</u>
Operating expenses		
Transmission, distribution and services	600,499	561,928
Purchased water	407,723	397,069
General and administrative	393,900	377,931
Depreciation	<u>390,074</u>	<u>378,743</u>
Total operating expenses	<u>1,792,196</u>	<u>1,715,671</u>
Operating income	<u>10,151</u>	<u>42,863</u>
Non-operating revenues (expenses):		
Customer connection fees	60,700	53,300
Interest income	78,978	40,059
Grant revenue	528,517	26,500
Gain on disposal of assets	5,923	-
Interest expense	<u>(18,008)</u>	<u>(21,094)</u>
Total non-operating revenues (expenses)	<u>656,110</u>	<u>98,765</u>
Change in net position	666,261	141,628
Net position at the beginning of the year	<u>7,809,977</u>	<u>7,668,349</u>
Net position at the end of the year	<u><u>\$ 8,476,238</u></u>	<u><u>\$ 7,809,977</u></u>

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,807,104	\$ 1,738,252
Cash payments to suppliers for goods and services	(727,514)	(687,482)
Cash payments to employees and professional contractors for services	<u>(775,835)</u>	<u>(670,883)</u>
Net cash provided by operating activities	<u>303,755</u>	<u>379,887</u>
Cash flows from capital and related financing activities:		
Principal payments on bonds and lease obligations	(88,322)	(82,432)
Interest payments on bonds and lease obligations	(18,008)	(21,094)
Purchase of fixed assets	(712,053)	(206,388)
Sale of fixed assets	9,224	-
Customer connection fees	<u>60,700</u>	<u>53,300</u>
Net cash used by capital and related financing activities	<u>(748,459)</u>	<u>(256,614)</u>
Cash flows from investing activities:		
Non-operating revenue	528,517	26,500
Sale (acquisition) of unrestricted investments	(80,785)	(422,036)
Interest received on cash deposits and investments	<u>87,153</u>	<u>22,277</u>
Net cash provided by investing activities	<u>534,885</u>	<u>(373,259)</u>
Increase (decrease) in cash and cash equivalents	90,181	(249,986)

(CONTINUED)

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Increase (decrease) in cash and cash equivalents (from page 10)	90,181	(249,986)
Cash and cash equivalents at the beginning of the year	<u>666,282</u>	<u>916,268</u>
Cash and cash equivalents at the end of the year	<u>\$ 756,463</u>	<u>\$ 666,282</u>
Reconciliation of cash and cash equivalents at the end of the year		
Unrestricted cash and cash equivalents	\$ 673,899	\$ 571,811
Restricted cash and cash equivalents	<u>82,564</u>	<u>94,471</u>
Total cash and cash equivalents at the end of the year	<u>\$ 756,463</u>	<u>\$ 666,282</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 10,151	\$ 42,863
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	390,074	378,743
(Increase) decrease in:		
Customer accounts receivable	6,815	(2,375)
Unbilled receivable	(9,233)	(5,582)
Inventory	(15,036)	533
Prepaid expenses	(5,404)	(1,737)
Net OPEB asset	(5,811)	(17,142)
Changes in deferred outflows of resources	33,426	6,021
Increase (decrease) in:		
Accounts payable, trade accounts	2,191	3,123
Accrued liabilities	(7,915)	8,633
Accrued interest payable	(1,046)	(2,850)
Accrued compensated absences	3,948	2,205
Changes in net pension liability	(2,115)	(55,988)
Changes in net OPEB liability	-	(232,736)
Changes in deferred inflows of resources	(103,140)	247,542
Customer deposits	<u>6,850</u>	<u>8,634</u>
Net cash provided by operating activities	<u>\$ 303,755</u>	<u>\$ 379,887</u>

See accompanying notes to the financial statements

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

East Clark County Water District (the District) is a "Class B" water district located in Clark County, Kentucky, with principal offices located at 118 Hopkins Lane, Winchester, Kentucky. It was organized in 1967, under Kentucky Revised Statutes, Chapter 74. It is overseen by a five-member commission consisting of a chairman and four commissioners, all appointed by Clark County Fiscal Court. Water is purchased from Winchester Municipal Utilities and Kentucky American Water Company and resold to approximately 2,800 residential and commercial customers.

Basis of Accounting and Measurement Focus

The financial transactions are accounted for and presented in accordance with standards developed by the Governmental Accounting Standards Board (GASB). As such, the District's financial transactions are accounted for as a business-type activity and, its financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The District is financed and operated in a manner similar to a private business where the intent of the governing body is that cost (expenses, including depreciation) of providing goods or services to the public on a continuing basis are financed primarily through user charges.

The District is accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering water to customers in connection with the District's ongoing operations. The principal operating revenues are charges to customers for water sales and services. Operating expenses include the cost of purchasing water and other related service expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues and expenses consists of transactions outside normal costs of operations and may include interest income and expenses as well as grants, customer contributed fees, sales of assets and external contract related to road and railroad maintenance and improvements.

Property and Equipment

The District capitalizes expenditures for property and equipment of \$1,000 or more. Property and equipment are stated at cost. Donations are recorded at their fair market value at the date of transfer. No donated assets were received in the years ended December 31, 2024 and 2023.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the balance sheets. Depreciation is provided for financial statement purposes by the straight-line method over the following estimated useful lives:

Lines and storage	50 years
Building	30 years
Pumps and treatment equipment	20 years
Maintenance equipment and vehicles	3-10 years
Office furniture and equipment	3-5 years

Capital Grants and Subsidies

The purchase of property and equipment acquired by grants and subsidies restricted for that purpose are capitalized and the grant or subsidy is recorded as non-operating revenue. These grants and subsidies are not subject to repayment. Certain plant assets have been contributed by customers. These contributions are not subject to repayment.

Receivables

All receivables are reported at their gross value. Estimated un-billed revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. No allowance for doubtful accounts is provided. The District identifies and writes off uncollectible accounts as they occur. Amounts written off as of December 31, 2024 and 2023 were \$1,845 and \$2,199, respectively.

Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Paid vacation time accrues at the rate of one to three weeks based on the length of employment. Unused vacation time may be carried forward from one year to the next with certain limitations. Other compensated absences do not vest and are recorded as expenditures when they are paid.

Pensions

GASB Statement No. 68 requires recognition in the financial statements and notes of the employer's (the District) obligation for the net long- term pension obligations. See Note 7.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

Beginning in fiscal year 2018, the District implemented GASB Statement No. 75, which requires recognition of the employer's (the District) obligation for the net long-term OPEB obligations. See Note 8.

Cash and Cash Equivalents

The District includes in "cash and cash equivalents", cash on hand and unrestricted cash in checking accounts, money market accounts, federal treasury obligations, and restricted and unrestricted certificates of deposit with maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market value on a first-in, first-out basis.

Investments

Investments consist of certificates of deposit with maturity dates of three months or more. Management believes the face value of the certificates approximates their market value. Certificates of deposit in excess of FDIC insurance are collateralized by securities held by the pledging institution.

Interest

Interest is charged to expense as incurred except for interest related to loans used for construction projects, which is capitalized net of interest earned on such borrowed construction funds. Interest capitalization ceases when the construction project is substantially complete. There was no capitalized interest during 2024 and 2023.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category includes amounts related to pensions and other post-employment benefits (OPEB) for certain actuarially determined differences between projected and actual investment earnings and/or other differences between projected and actual demographic experience, as well as contributions made by the District subsequent to the measurement date.

The Statement of Net Position includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. This category includes amounts related to pensions and OPEB for certain actuarially determined differences between projected and actual demographic experience and/or projected and actual investment earnings.

Net Position Classifications

The District records restrictions for portions of its net position which are legally segregated for specific future use, or which do not represent available spendable resources and therefore are not available for appropriation. Unrestricted portions of net position indicate amounts which are available for appropriation in future periods. Restrictions in net position are classified as follows:

- **Net Investment in Capital Assets** includes the District's capital assets, (net of accumulated depreciation) reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The net investment in capital assets also reflects any related balances in deferred outflows or inflows of resources.
- **Restricted for Debt Service** includes assets that have been set aside as required by statute or bond covenant for the future payment of the District's debt.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources in accordance with their restrictions first, then unrestricted resources, as they are needed.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Pronouncements

The District has implemented the following new accounting pronouncements:

GASB Statement No. 94: - In March 2020 the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District implemented this standard in the prior year. There was no material effect to the financial statements.

GASB Statement No. 96: - In May 2020 the GASB issued Statement No.96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District implemented this standard in the prior year. There was no material effect to the financial statements.

GASB Statement No. 99: - In April 2022 the GASB issued Statement No.99, Omnibus 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2023, and all reporting periods thereafter. The District implemented this standard in the current year. There was no material effect to the financial statements.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Pronouncements (Continued)

GASB Statement No. 100: - In June 2022 the GASB issued Statement No.100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District implemented this standard in the current year. There was no material effect to the financial statements.

GASB Statement No. 101: - In June 2022 the GASB issued Statement No.101, Compensated Absences. The objective of this Statement is to improve the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The District implemented this standard in the current year. There was no material effect to the financial statements.

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, effective for fiscal years beginning after June 15, 2024. This standard is focused on additional disclosures about concentrations and constraints that may have a substantial impact on the District's financial statements. The District will apply this guidance if and when these types of risks occur.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025. This guidance clarifies management's responsibility for explaining key variances in management's discussion and analysis. The budget discussion will be deleted from the MD&A and governments will only report the budgetary comparison schedule in required supplementary information. Additional changes include classification of unusual or infrequent items, the reporting format for proprietary statements, and reporting major component units. This standard will have no impact on the District's financial net position, but may require changes in the MD&A narrative and the financial statement formats.

NOTE 2 – CUSTODIAL CREDIT RISK- DEPOSITS

The District investment policies conform to the statutes of the Commonwealth of Kentucky. District funds are deposited in banks insured by the Federal Deposit Insurance Corporation (FDIC). Investments include certificates of deposit with maturities greater than three months. Collateral, from banks, is required for all deposits in excess of FDIC insurance at 100% of the carrying amount of the deposits. Collateral consists of obligations of the United States and Kentucky Revenue Bonds and is held by the bank's trust department in the District's name or by letter of credit held by a third party in the District's name.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 – CUSTODIAL CREDIT RISK- DEPOSITS (CONTINUED)

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the District's deposits and/or investments may not be returned to it. The District's policy on custodial credit risk requires banks to pledge additional bank assets as collateral on District's deposits that exceed FDIC insurance.

As of December 31, 2024, and 2023, District's total deposits at banks were \$2,306,227 and \$2,159,627 respectively, were exposed to custodial credit risk as follows:

	2024	2023
Insured by FDIC coverage	\$ 500,000	\$ 500,000
Insured by collateral held by a third party in the District's name	1,500,000	1,000,000
Insured by collateral held by the bank's trust department in the District's name	542,031	497,479
	\$ <u>2,542,031</u>	\$ <u>1,997,479</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's fair value measurements are all based upon Level 1 inputs. As of December 31, 2024 the District's funds held with two financial institutions were overinsured by \$235,804, collectively.

NOTE 3 - CREATION OF FUNDS AND RESTRICTIONS ON CASH

The Bond Resolutions require the creation of various separate deposit accounts, each designated for a specific purpose, as defined in the resolution. A summary of the required accounts and their significant provisions follows:

Bond and Interest Sinking Funds

The Bond and Interest Sinking Funds were established to provide sources of funds for the payment of bond principal and interest, currently due. Each month funds equal to the total of (1) one-sixth of the next succeeding semiannual interest payment plus (2) one-twelfth of the next annual bond principal payments are to be transferred to the funds. For the years ended December 31, 2024 and 2023 the required Sinking Fund Reserve balances were \$103,998 and \$108,648, respectively.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Activity for plant and equipment, which is capitalized by the District for the year ended December 31, 2024 and 2023, is summarized below:

2024:	Beginning Balance	Additions	Retirements	Ending Balance
Non depreciable assets:				
Land	\$ 90,044	\$ -	\$ -	\$ 90,044
Construction in Progress	116,287	509,939	-	626,226
Total non-depreciable assets	206,331	509,939	-	716,270
Depreciable assets:				
Buildings & improvements	632,934	119,722	133,824	618,832
Pumps	98,539	-	-	98,539
Lines & storage	11,419,344	21,691	-	11,441,035
Meters	1,310,357	60,700	-	1,371,057
Office equipment	90,209	-	16,568	73,641
Vehicles	369,469	-	51,375	318,094
Maintenance equipment	322,177	-	26,562	295,615
Total depreciable assets	14,243,029	202,113	228,330	14,216,812
Less accumulated depreciation				
Buildings & improvements	329,890	27,596	130,542	226,944
Pumps	86,958	3,049	-	90,007
Lines & storage	5,628,051	254,044	-	5,882,095
Meters	820,501	57,136	-	877,637
Office equipment	62,899	5,266	16,550	51,615
Vehicles	188,233	28,918	51,375	165,776
Maintenance equipment	261,451	14,065	26,562	248,954
Total accumulated depreciation	7,377,983	390,074	225,029	7,543,028
Depreciable assets, net	6,865,046	(187,96)	3,301	6,673,785
Total capital assets, net of depreciation	\$ 7,071,377	\$ 321,978	\$ 3,301	\$ 7,390,054

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

2023:	Beginning Balance	Additions	Retirements	Ending Balance
Non depreciable assets:				
Land	\$ 90,044	\$ -	\$ -	\$ 90,044
Construction in Progress	100,224	16,063	-	116,287
Total non-depreciable assets	190,268	16,063	-	206,331
Depreciable assets:				
Buildings & improvements	593,687	39,247	-	632,934
Pumps	98,539	-	-	98,539
Lines & storage	11,419,344	-	-	11,419,344
Meters	1,258,336	52,021	-	1,310,357
Office equipment	90,209	-	-	90,209
Vehicles	270,371	99,098	-	369,469
Maintenance equipment	322,177	-	-	322,177
Total depreciable assets	14,052,663	190,366	-	14,243,029
Less accumulated depreciation				
Buildings & improvements	308,135	21,755	-	329,890
Pumps	84,117	2,841	-	86,958
Lines & storage	5,371,384	256,667	-	5,628,051
Meters	766,217	54,284	-	820,501
Office equipment	57,498	5,401	-	62,899
Vehicles	167,249	20,984	-	188,233
Maintenance equipment	244,640	16,811	-	261,451
Total accumulated depreciation	6,999,240	378,743	-	7,377,983
Depreciable assets, net	7,053,423	(188,377)	-	6,865,046
Total capital assets, net of depreciation	\$ 7,243,691	\$ (172,313)	\$ -	\$ 7,071,377

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 – LONG TERM DEBT AND LEASES

The District issues revenue bonds to finance improvements and extensions to water lines. During 2024 and 2023 the District issued no new revenue bonds.

At December 31, 2024 and 2023, East Clark County Water District had the following long-term debt and leases outstanding:

2024 Bonds:

Description	Beginning Balance	New Issue	Principal Payment	Ending Balance	Due Within One Year
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2010C Bonds, with interest of 2.2% to 4.35% payable 1/1 and 7/1	\$ 325,000	\$ -	\$ 40,000	\$ 285,000	\$ 45,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2011C Bonds, with interest of 2.15% to 4.275% payable 1/1 and 7/1	255,000	-	30,000	225,000	30,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2013C Bonds, with interest of 2.3% to 4.8% payable 1/1 and 7/1	15,000	-	15,000	-	-
Bond Premiums	9,528	-	3,322	6,206	-
	<u>\$ 604,528</u>	<u>\$ -</u>	<u>\$ 88,322</u>	<u>\$ 516,206</u>	<u>\$ 75,000</u>

2023 Bonds:

Description	Beginning Balance	New Issue	Principal Payment	Ending Balance	Due Within One Year
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2010C Bonds, with interest of 2.2% to 4.35% payable 1/1 and 7/1	\$ 365,000	\$ -	\$ 40,000	\$ 325,000	\$ 40,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2011C Bonds, with interest of 2.15% to 4.275% payable 1/1 and 7/1	280,000	-	25,000	255,000	25,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2013C Bonds, with interest of 2.3% to 4.8% payable 1/1 and 7/1	30,000	-	15,000	15,000	15,000
Bond Premiums	11,960	-	2,432	9,528	-
	<u>\$ 686,960</u>	<u>\$ -</u>	<u>\$ 82,432</u>	<u>\$ 604,528</u>	<u>\$ 80,000</u>

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 6 – INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and customers; and acts of God. The District insures against these risks through insurance obtained from the Kentucky Association of Counties (KACO) which is a pooled risk association. In addition, casualty and liability insurance, KACO also provides the District's worker's compensation insurance. The District pays an annual premium for insurance coverage and is liable for additional premium assessments as determined by the pooled losses. At December 31, 2024 and 2023, no additional premium assessment had been made.

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS)

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2021, Kentucky Revised Statute ("KRS") Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions. The Kentucky Public Pensions 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/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. All District employees participating in CERS are provided benefits through the nonhazardous plan. 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 of service or 65 years old
	Reduced retirement	At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	Not available

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (CONTINUED)

Cost of living adjustments (COLA) are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years of earnings. Reduced benefits are based on factors of both these components.

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 of service is required for nonservice-related disability benefits.

Employer Contributions – For the year ended June 30, 2024, employer contributions were established by the County Employees Retirement Systems in December 2022. The governing Board establishes employer contribution rates based on the annual actuarial valuation completed in November each year for the fiscal year beginning the following July 1. For fiscal year 2024, the employer contribution rate for CERS nonhazardous pensions was 23.34%. (See Note 8 for additional rate information for the OPEB plans.)

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

	<u>Non Hazardous</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

At December 31, 2024, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability was \$794,559. The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actuarial liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.013286 percent. For the year ended December 31, 2024, the District recognized negative pension expense of \$37,936 related to CERS.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,458	\$ -
Changes of assumptions	-	35,898
Net difference between projected and actual earnings on pension plan investments	54,568	105,654
Changes in proportion and differences between		
District contributions and proportionate share of contributions	46,372	-
District contributions subsequent to the measurement date	<u>95,747</u>	<u>-</u>
	\$ <u><u>235,145</u></u>	\$ <u><u>141,552</u></u>

\$95,747 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025.

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

Year ended December 31:

2025	\$ 1,092
2026	\$ 27,777
2027	\$ (19,638)
2028	\$ (11,385)
2029	\$ -

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (CONTINUED)

Actuarial assumptions - The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>
Inflation	2.30%
Payroll growth rate	2.00%
Cost-of-living adjustment	0.0%
Salary Increases	3.30% - 10.30%
Investment rate of return	6.50%
Municipal Bond Index Rate	N/A

For CERS, mortality tables used for active members was the PUB-2014 General Mortality table for the non-hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the 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.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (CONTINUED)

The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for both the non-hazardous and hazardous plan.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity:	60.00%	
Public Equity	50.00%	4.15%
Private Credit	10.00%	9.10%
Fixed Income:	20.00%	
Core Bonds	10.00%	2.85%
High Yield Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected:	20.00%	
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u>100.00%</u>	
Expected Real Return		4.69%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>7.19%</u>

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 1,024,317	\$ 794,559	\$ 603,921

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (CONTINUED)

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was amended by GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The GASB standards allow entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities for these defined contribution plans from their financial statements. The District therefore does not show these assets and liabilities in this financial statement.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS plans. The change in governance for CERS discussed in Note 7 for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority's publicly available financial report includes the CERS OPEB plan reports and may be obtained from <http://kyret.ky.gov/>.

CERS Other Postemployment Benefits

Plan Description— All District employees participating in CERS are provided benefits through the nonhazardous plan. CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, CERS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the CERS health plans. Members who began participating with CERS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the CERS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. Beginning with the 2023 measurement, the CERS nonhazardous OPEB plan was over funded and employer contributions were decreased to zero. CERS allocated 0.0% in FY 2024 and 3.39% in FY 2023 for the actuarially required contribution rate paid by employers for funding the nonhazardous healthcare benefit. In addition, 1% of the Tier 2 and 3 employee contributions are allocated to the health insurance plan for nonhazardous plans.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

At December 31, 2024, the District reported an asset of \$22,953 for its proportionate share of the CERS collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB asset was based on a projection of the District's long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.013269 percent. The District recognized a negative OPEB expense of \$39,704 as the OPEB asset and the related deferred outflows of resources decreased and deferred inflows of resources decreased.

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

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 12,734	\$ 180,593
Changes of assumptions	20,798	16,196
Net difference between projected and actual earnings on OPEB plan investments	20,176	41,122
Changes in proportion and differences between District contributions and proportionate share of contributions	19,260	2,675
District contributions subsequent to the measurement date	-	-
	<hr/> \$ 72,968 <hr/>	<hr/> \$ 240,586 <hr/>

No District contributions subsequent to the measurement date were reported in deferred outflows since the plan is overfunded and no employer contributions will be assessed until the funded status declines.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended December 31:	
2025	\$ (68,463)
2026	\$ (53,308)
2027	\$ (45,492)
2028	\$ (355)
2029	\$ -
Thereafter	\$ -

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial assumptions – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 10.30%, for non-hazardous, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates:	
Under 65	Initial trend rate starts at 6.20%, January 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 9.00%, January 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Municipal Bond Index Rate	3.97%
Discount Rate	5.99% non-hazardous

Post-retirement mortality rates (non-disabled) used 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.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2024 valuation were based on an actuarial experience study as of June 30, 2022, and adopted by the CERS Board in May 2023. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2024 for use with the June 30, 2024 valuation to reflect future economic expectations.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for the nonhazardous plan.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity:	60.00%	
Public Equity	50.00%	4.15%
Private Credit	10.00%	9.10%
Fixed Income:	20.00%	
Core Bonds	10.00%	2.85%
High Yield Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected:	20.00%	
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u>100.00%</u>	
Expected Real Return		4.69%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>7.19%</u>

Discount rate – The single discount rate of 5.99% for CERS nonhazardous was used to measure the total OPEB liability as of June 30, 2024. 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 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (the Kentucky General Assembly reset the amortization period to 30 years in 2020) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit employer subsidy for non-Medicare retirees is not currently included in the calculation of the System’s actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System’s trust. The implicit rate subsidy is paid by the Commonwealth of Kentucky self-insurance fund, Kentucky Employees Health Plan. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.99%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.99%	5.99%	6.99%
District's proportionate share			
of net OPEB liability	\$ 31,035	\$ (22,953)	\$ (68,345)

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Care</u> <u>Trend Rate</u>	<u>1% Increase</u>
CERS			
District's proportionate share			
of net OPEB liability	\$ (55,222)	\$ (22,953)	\$ 14,638

The Kentucky Public Pensions Authority's publicly available financial report includes financial reports for the CERS OPEB plans and may be obtained from <http://kyret.ky.gov/>.

NOTE 9 - PURCHASED WATER

The District entered into a written agreement to purchase most of its water from Winchester Municipal Utilities (WMU). The term of the contract is for forty years ending October 3, 2059 with the right to renew and extend for an additional twenty years. The District purchases water at \$1.72 per 100 cubic feet of water. This rate is subject to periodic increases by WMU. With the approval of the Public Service Commission, the District may pass these rate increases along to its customers. Water is delivered to the District by meters maintained by WMU.

NOTE 10 – SUBSEQUENT EVENT

The District has evaluated subsequent events through March 31, 2025, the date on which these financial statements were available to be issued, and found no events which require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	12/31/2024 (6/30/24)	12/31/2023 (6/30/23)	12/31/2022 (6/30/22)	12/31/2021 (6/30/21)	12/31/2020 (6/30/20)	12/31/2019 (6/30/19)	12/31/2018 (6/30/18)	12/31/2017 (6/30/17)	12/31/2016 (6/30/16)	12/31/2015 (6/30/15)
COUNTY EMPLOYEES RETIREMENT SYSTEM:										
NONHAZARDOUS PLAN										
District's proportion of the net pension liability	0.013286%	0.012416%	0.011795%	0.012098%	0.011481%	0.010851%	0.010887%	0.010048%	0.011160%	0.010960%
District's proportionate share of the net pension liability	\$ 794,559	\$ 796,674	\$ 852,662	\$ 771,342	\$ 880,583	\$ 763,156	\$ 663,051	\$ 588,140	\$ 547,303	\$ 471,091
District's covered-employee payroll	\$ 433,123	\$ 368,329	\$ 334,409	\$ 295,991	\$ 282,749	\$ 263,115	\$ 267,268	\$ 238,770	\$ 255,169	\$ 263,636
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.45%	216.29%	254.98%	260.60%	311.44%	290.05%	248.08%	246.32%	214.49%	178.69%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED DECEMBER 31, 2024**

COUNTY EMPLOYEES RETIREMENT SYSTEM:	<u>2024</u>	<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 contribution	\$ 95,747	\$ 80,259	\$ 77,097	\$ 72,764	\$ 58,215	\$ 44,397	\$ 39,071	\$ 34,127	\$ 31,581	\$ 32,731
Contributions in relation to the contractually required contribution	<u>95,747</u>	<u>80,259</u>	<u>77,097</u>	<u>72,764</u>	<u>58,215</u>	<u>44,397</u>	<u>39,071</u>	<u>34,127</u>	<u>31,581</u>	<u>32,731</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 410,227	\$ 342,987	\$ 360,266	\$ 377,016	\$ 301,632	\$ 263,115	\$ 267,268	\$ 238,770	\$ 255,169	\$ 263,636
District's contributions as a percentage of its covered-employee payroll	23.34%	23.40%	21.40%	19.30%	19.30%	16.87%	14.62%	14.29%	12.38%	12.42%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**EAST CLARK COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
FOR THE YEAR ENDED DECEMBER 31, 2024**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

The actuarially determined contribution rates are determined on an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed.

2023 Changes of Assumptions –The inflation rate was increased to 2.5% and the investment rate of return was increased to 6.5%. The system specific mortality table was revised to MP-2020 and the base year was changed to 2023.

2020 Changes of Assumptions –The amortization period for the unfunded liability was reset as of June 30, 2019, to a closed 30-year period.

2019 Changes of Assumptions – The 2019 actuarial valuation used updated mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2019, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used 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. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees 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. Previous valuations were based on RP-2000 Combined Mortality Tables.

2017 Changes of Assumptions – For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2019 and 2016 to determine contribution rates reported for all systems:

Assumption	2017 Valuation	2016 Valuation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	2.30%	3.25%
Salary Increase	3.3% to 11.55% varies by service), average, including Inflation	4% , average, including Inflation
Investment Rate of Return	6.25% , Net of Pension Plan Investment Expense, including Inflation	7.5% , Net of Pension Plan Investment Expense, including Inflation

**EAST CLARK COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
FOR THE YEAR ENDED DECEMBER 31, 2024**

COUNTY EMPLOYEES RETIREMENT SYSTEM (Cont'd):

Changes of Benefit Terms -

2014: A cash balance plan was introduced for member whose participation date begins on or after January 1, 2014

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

**EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	12/31/2024 (6/30/24)	12/31/2023 (6/30/23)	12/31/2022 (6/30/22)	12/31/2021 (6/30/21)	12/31/2020 (6/30/20)	12/31/2019 (6/30/19)	12/31/2018 (6/30/18)	12/31/2017 (6/30/17)
COUNTY EMPLOYEES RETIREMENT SYSTEM:								
District's proportion of the net OPEB liability	0.013269%	0.012416%	0.011793%	0.012095%	0.011478%	0.010849%	0.010887%	0.010048%
District's proportionate share of the net OPEB liability	\$ (22,953)	\$ (17,142)	\$ 232,736	\$ 231,553	\$ 277,159	\$ 182,475	\$ 193,279	\$ 201,999
District's covered-employee payroll	\$ 433,123	\$ 368,329	\$ 334,409	\$ 316,852	\$ 300,791	\$ 279,620	\$ 279,813	\$ 238,770
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-5.30%	-4.65%	69.60%	73.08%	92.14%	65.26%	69.07%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED DECEMBER 31, 2024**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

	2024	2023	2022	2021	2020	2019	2018	2017
NONHAZARDOUS PLAN								
Contractually required contribution	\$ -	\$ 11,627	\$ 19,015	\$ 17,946	\$ 14,358	\$ 17,570	\$ 14,989	\$ 11,572
Contributions in relation to the contractually required contribution	-	11,627	19,015	17,946	14,358	17,570	14,989	11,572
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 410,227	\$ 342,987	\$ 360,266	\$ 377,017	\$ 301,639	\$ 279,620	\$ 279,813	\$ 238,770
District's contributions as a percentage of its covered-employee payroll	0.00%	3.39%	5.28%	4.76%	4.76%	6.28%	5.36%	4.85%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

EAST CLARK COUNTY WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

FOR THE YEAR ENDED DECEMBER 31, 2024

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2022

2023 Changes in Actuarial Assumptions: Investment return assumption was raised to 6.50% for the actuarial valuation and the municipal bond rate was raised 3.86%. The single discount rate for the 2023 measurement was increased to 5.93%. Contributions in the 2023 measurement period were based on the 2021 valuation that used an investment return of 6.25%, inflation of 2.3%, and salary increases of 3.3% to 10.30%, depending on service.

2022 Changes in Actuarial Assumptions: Initial rates for health cost trends for retirees under age 65 were lowered from 6.4% to 6.25% and rates for retirees ages 65 or older were increased from 2.9% to 5.5%. Municipal bond index rate was lowered from 2.45% to 1.92% (Fidelity 20-Year Municipal GO AA Index). And the single discount rate for the CERS non-hazardous insurance plan was lowered from 5.34% to 5.20%.

2017 Changes in Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

Investment rate of Return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.56%
Discount Rate	5.84%

SUPPLEMENTARY INFORMATION

EAST CLARK COUNTY WATER DISTRICT
OTHER SUPPLEMENTARY INFORMATION
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

	2024 Budget	2024 Actual	Favorable (Unfavorable)	2023 Budget	2023 Actual	Favorable (Unfavorable)
Operating revenues:						
Water sales	\$ 1,799,434	\$ 1,802,347	\$ 2,913	\$ 1,756,200	\$ 1,758,534	\$ 2,334
Total operating revenues	1,799,434	1,802,347	2,913	1,756,200	1,758,534	2,334
Operating expenses:						
Operation and maintenance	1,527,667	1,367,404	160,263	1,442,000	1,305,053	136,947
Depreciation and amortization	390,000	390,074	(74)	380,000	378,743	1,257
Taxes	35,000	34,718	282	32,000	31,875	125
Total operating expenses	1,952,667	1,792,196	160,471	1,854,000	1,715,671	138,329
Operating income	(153,233)	10,151	163,384	(97,800)	42,863	140,663
Non-operating revenues (expenses):						
Interest income	80,000	78,978	(1,022)	26,663	40,059	13,396
Grant proceeds	6,000	5,923	(77)	26,500	-	(26,500)
Customer connection fees	61,000	60,700	(300)	50,000	53,300	3,300
Non-operating income	537,707	528,517	(9,190)	-	26,500	26,500
Interest expense	-	(18,008)	(18,008)	-	(21,094)	(21,094)
Total non-operating revenues (expenses)	684,707	656,110	(28,597)	103,163	98,765	(4,398)
Change in net position	\$ 531,474	\$ 666,261	\$ 134,787	\$ 5,363	\$ 141,628	\$ 136,265

EAST CLARK COUNTY WATER DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Transmission, Distribution, and Services	Purchased Water	General and Administrative	Depreciation	Total
Purchased water	\$ -	\$ 407,723	\$ -	\$ -	\$ 407,723
Depreciation	-	-	-	390,074	390,074
Salaries	298,869	-	141,249	-	440,118
Employee benefits	83,839	-	39,624	-	123,463
Supplies	95,614	-	3,902	-	99,516
Repairs and maintenance	18,824	-	9,063	-	27,887
Outside services	18,247	-	28,156	-	46,403
Commissioners' salaries	-	-	29,826	-	29,826
Payroll tax expense	23,576	-	11,142	-	34,718
Professional fees	-	-	25,384	-	25,384
Utilities	28,452	-	7,643	-	36,095
Truck expense	30,214	-	2,855	-	33,069
Equipment rental	7,995	-	-	-	7,995
Insurance	-	-	46,298	-	46,298
Postage	-	-	20,482	-	20,482
Bad debts	-	-	1,845	-	1,845
Miscellaneous	-	-	2,942	-	2,942
Telephone	5,480	-	4,548	-	10,028
Dues and subscriptions	-	-	2,169	-	2,169
Loading station expense	1,314	-	-	-	1,314
Employee training and seminars	-	-	8,484	-	8,484
PSC assessment	-	-	2,808	-	2,808
Uniforms	-	-	4,454	-	4,454
Lab testing	7,164	-	-	-	7,164
Travel and meals expense	-	-	1,026	-	1,026
Expenses allocated to capital	(19,089)	-	-	-	(19,089)
	<u>\$ 600,499</u>	<u>\$ 407,723</u>	<u>\$ 393,900</u>	<u>\$ 390,074</u>	<u>\$ 1,792,196</u>

EAST CLARK COUNTY WATER DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Transmission, Distribution, and Services	Purchased Water	General and Administrative	Depreciation	Total
Purchased water	\$ -	\$ 397,069	\$ -	\$ -	\$ 397,069
Depreciation	-	-	-	378,743	378,743
Salaries	262,040	-	132,032	-	394,072
Employee benefits	82,165	-	41,400	-	123,565
Supplies	88,107	-	3,322	-	91,429
Repairs and maintenance	17,295	-	9,000	-	26,295
Outside services	24,840	-	28,419	-	53,259
Commissioners' salaries	-	-	29,135	-	29,135
Payroll tax expense	21,195	-	10,680	-	31,875
Professional fees	-	-	28,420	-	28,420
Utilities	28,409	-	7,078	-	35,487
Truck expense	29,441	-	2,733	-	32,174
Equipment rental	10,316	-	-	-	10,316
Insurance	-	-	35,356	-	35,356
Postage	-	-	18,660	-	18,660
Bad debts	-	-	2,199	-	2,199
Miscellaneous	-	-	4,366	-	4,366
Telephone	6,502	-	3,847	-	10,349
Dues and subscriptions	-	-	1,996	-	1,996
Loading station expense	828	-	-	-	828
Employee training and seminars	-	-	11,197	-	11,197
PSC assessment	-	-	2,202	-	2,202
Uniforms	-	-	3,474	-	3,474
Lab testing	7,596	-	-	-	7,596
Travel and meals expense	-	-	2,415	-	2,415
Expenses allocated to capital	(16,806)	-	-	-	(16,806)
	<u>\$ 561,928</u>	<u>\$ 397,069</u>	<u>\$ 377,931</u>	<u>\$ 378,743</u>	<u>\$ 1,715,671</u>

SUMMERS, MCCRARY & SPARKS, P.S.C.
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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 of
East Clark County Water District
Winchester, KY

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 East Clark County Water District, as of and for the years ended December 31, 2024 and December 31, 2023, and the related notes to the financial statements, which collectively comprise East Clark County Water District's basic financial statements, and have issued our report thereon dated March 31, 2025.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Clark County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our 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.

Summers, McCrary & Sparks, PSC

Lexington, KY
March 31, 2025