

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
GARRISON, KENTUCKY**

**AUDITED FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2023 and 2022**

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
GARRISON, KENTUCKY  
Years Ended December 31, 2023 and 2022

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses And Changes in Net Position	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-27
<b><u>Required Supplementary Information</u></b>	
Schedule of the District's Proportionate Share of the Net Pension Liability	28
Schedule of Pension Contributions	29
Schedule of Proportionate Share of Net OPEB Liability	30
Schedule of Contributions OPEB	31
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	32-33

**DONNA J. HENDRIX**  
**CERTIFIED PUBLIC ACCOUNTANT**

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

131 E. ELECTRIC AVENUE  
FLEMINGSBURG, KY 41041  
(606)845-5210

550 W. FIRST ST., P.O. BOX 449  
MOREHEAD, KY 40351  
(606) 784-4451  
(606) 784-8224 (FAX)

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Garrison-Quincy-KY-O-Heights Water District  
Garrison, Kentucky

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities of the Garrison-Quincy-KY-O-Heights Water District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Garrison-Quincy-KY-O-Heights 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 Garrison-Quincy-KY-O-Heights Water District as of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Garrison-Quincy-KY-O-Heights Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Garrison-Quincy-KY-O-Heights 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Garrison-Quincy-KY-O-Heights 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 Garrison-Quincy-KY-O-Heights 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2024, on our consideration of the Garrison-Quincy-KY-O-Heights 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 Garrison-Quincy-KY-O-Heights 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 Garrison-Quincy-KY-O-Heights Water District's internal control over financial reporting and compliance.

*Donna J. Hendrix, CPA*

Donna J. Hendrix, CPA, PSC

Morehead, KY 40351

July 15, 2024

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31,**

<b>ASSETS &amp; DEFERRED OUTFLOWS</b>	2023	2022
<b>Current Assets</b>		
Cash	\$ 66,758	\$ 43,874
Accounts receivable		
Customers, net	132,868	82,323
Other		
Unbilled Receivables	48,586	48,586
Prepaid expenses	6,112	6,112
Inventory	24,589	24,707
	<u>278,913</u>	<u>205,602</u>
<b>Restricted Assets</b>		
Cash	168,300	147,868
	<u>168,300</u>	<u>147,868</u>
<b>Fixed Assets</b>		
Property, Plant & Equipment	12,260,577	12,104,476
Less accumulated depreciation	(3,856,191)	(3,670,623)
Construction-in-progress	-	-
	<u>8,404,386</u>	<u>8,433,854</u>
<b>Deferred Outflow of Resources</b>		
Deferred Outflow of Resources-OPEB	34,452	56,033
Deferred Outflow of Resources-Pension	53,543	43,032
	<u>87,995</u>	<u>99,065</u>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	 <u>\$ 8,939,594</u>	 <u>\$ 8,886,388</u>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 12,012	\$ 62,895
Accrued wages and Benefits	3,420	3,340
Deferred Compensation	275	275
Compensated Absences	16,272	16,272
Customer deposits	10,278	10,225
Accrued Retirement	5,849	5,565
Taxes payable	2,315	2,379
Accrued interest payable	18,599	19,671
Current Portion of bonds payable	79,715	77,790
Total Current Liabilities	<u>148,736</u>	<u>198,414</u>
<b>Noncurrent Liabilities</b>		
Accrued OPEB Liabilities	(11,004)	162,874
Accrued Pension Liabilities	511,396	596,755
Bonds payable, net	1,440,887	1,522,302
Total Long-term Liabilities	<u>1,941,279</u>	<u>2,281,931</u>
<b>Deferred Inflow of Resources</b>		
Deferred Inflow of Resources-OPEB	190,810	75,598
Deferred Inflow of Resources-Pension	79,071	43,170
	<u>269,881</u>	<u>118,768</u>
 <b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	 2,359,896	 2,599,113
 <b>Net Position</b>		
Investment in Capital Assets, Net of Related Debt	6,883,784	6,833,762
Restricted Net Assets	168,300	147,868
Unrestricted Net Assets	(472,387)	(694,355)
<b>TOTAL NET POSITION</b>	<u>\$ 6,579,698</u>	<u>\$ 6,287,275</u>

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

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**PROPRIETARY FUND**  
for the years ended December 31,

	2023	2022
<b>OPERATING INCOME</b>		
Water sales	\$ 655,756	\$ 572,507
Sewer sales	233,089	207,248
Other revenue	<u>23,515</u>	<u>23,575</u>
Total operating income	<u>912,359</u>	<u>803,330</u>
<b>OPERATING EXPENSES</b>		
Water Expenses		
Advertising Expense	12	79
Bad Debt Expense	-	-
Bank Charges	116	221
Chemicals & Salt	16,634	13,258
Commissioners Salaries	9,900	8,139
Continuing Education	230	12
Dues and Subscriptions	3,082	2,862
Health Insurance	20,097	17,794
Materials and Supplies	48,591	25,980
Miscellaneous	2,692	3,489
Office Supplies	13,364	9,198
Outside Services	12,180	2,555
Other Utilities	4,637	4,273
Payroll Taxes	18,375	17,542
Phone	3,027	3,010
Postage	6,924	6,387
Professional Fees	13,520	6,590
Insurance	13,845	11,264
Repairs and Maintenance	17,925	3,806
Retirement	(34,084)	36,181
Salaries	206,627	189,192
Electric	38,824	37,230
Vehicle Expense	11,150	10,812
Water Purchased	31,079	32,351
Total Water Expenses	<u>458,747</u>	<u>442,225</u>
Sewer Expenses		
Office Supplies	5,933	4,435
Chemicals & Salt	3,672	4,830
Outside Services	593	329
Professional Fees	9,465	4,586
Payroll Taxes	2,196	1,860
Health Insurance	4,873	4,636
Insurance	3,504	3,193
Advertising Expense	-	67
Retirement	2,813	3,111
Electric	24,220	21,906
Materials and Supplies	29,350	7,800
Phone	907	895
Postage	-	-
Testing	12,819	12,306
Miscellaneous	865	911
Repairs and Maintenance	-	-
Truck Expense	3,416	3,004
Salaries and Wages	<u>53,069</u>	<u>48,655</u>
Total Sewer Expenses	<u>157,695</u>	<u>122,524</u>
<b>Total operating expense</b>	<u>616,442</u>	<u>564,749</u>
<b>Operating income before depreciation</b>	295,917	238,581
Depreciation expense-Water	(105,403)	(102,307)
Depreciation expense-Sewer	<u>(80,165)</u>	<u>(77,810)</u>
Total Depreciation Expense	<u>(185,568)</u>	<u>(180,118)</u>
<b>OPERATING INCOME (LOSS)</b>	110,349	58,463
<b>Non-operating income (Expenses)</b>		
Gain (Loss) on disposal of assets	-	-
Paycheck Protection Program-Forgiven	-	-
Bond Interest Reimbursement	4,742	4,820
Interest income	54	38
Interest expense	<u>(41,827)</u>	<u>(44,221)</u>
<b>Total Non-Operating Income (Expense)</b>	<u>(37,031)</u>	<u>(39,363)</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	73,318	19,100
Federal Grants	219,105	-
<b>CHANGE IN NET POSITION</b>	292,422	19,100
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>6,287,275</u>	<u>6,268,177</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 6,579,698</u>	<u>\$ 6,287,275</u>

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

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
for the years ended December 31,

	2023	2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts From Customers	\$ 861,814	\$ 827,921
Payments to Suppliers	(549,233)	(437,443)
Payments to Employees	(259,696)	(237,847)
Other Receipts (Payments)	<u>23,515</u>	<u>23,575</u>
<b>Net Cash (Used) Provided by Operating Activities</b>	76,401	176,206
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Reserve Funds	20,432	101,811
Interest Income	<u>54</u>	<u>38</u>
<b>Net Cash (Used) Provided by Investing Activities</b>	<u>20,486</u>	<u>101,849</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds From Capital Debt	219,105	-
Principal Paid on Capital Debt	(79,490)	(38,266)
Purchases of Capital Assets	(156,101)	(70,301)
Bond Interest Reimbursement	4,742	4,820
Interest Paid on Capital Debt	<u>(41,827)</u>	<u>(44,221)</u>
<b>Net cash (Used) Provided by Financing Activities</b>	<u>(53,571)</u>	<u>(147,969)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 43,316	 130,086
Cash and Cash Equivalents - At beginning of year	<u>191,742</u>	<u>61,656</u>
<b>CASH AND CASH EQUIVALENTS - AT END OF YEAR</b>	<u><u>\$ 235,058</u></u>	<u><u>\$ 191,742</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 110,349	\$ 58,463
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	185,568	180,118
Change in Assets and Liabilities:		
Accounts Receivable, Net	(50,545)	24,591
Inventories	(118)	9,554
Prepaid Expense	(0)	-
Accounts Payable and Other Payables	(168,986)	(97,486)
Customer Deposits	53	917
Accrued Wages and Vacation	<u>80</u>	<u>49</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 76,401</u></u>	<u><u>\$ 176,206</u></u>

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

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES**

The Garrison-Quincy-KY-O-Heights Water District was created and organized as a public body corporate in Garrison-Quincy-KY-O-Heights, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Garrison-Quincy-KY-O-Heights Fiscal Court to operate a water distribution system and wastewater services. The District is regulated by the Kentucky Public Service Commission.

**The Reporting Entity**

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Garrison-Quincy-KY-O-Heights Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District.

Based on the foregoing criteria there are no other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

**Enterprise Funds**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 management focus. With the measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.



**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2023 and 2022**

**Note 1: ORGANIZATION AND ACCOUNTING POLICIES**

**Basis of Accounting**

The District maintains its accounting records on the accrual basis during the year. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Inventory**

Inventory is maintained at lower of cost or market.

**Utility Plant**

Utility Plant is stated at original cost. The cost of repairs and maintenance is charged to the proper expense account as incurred. Property replacements are capitalized and retirements are charged to the proper plant account and depreciation provision.

**Depreciation**

Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates on a straight-line basis determined by reference to Utility Standards Rates (NARUC). The provisions for depreciation in 2023 reflect those standard rates by asset class.

**Unbilled Revenue**

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

**Power Costs**

The cost of power purchases for pumping water is charged to expense as used.

**Income Tax Status**

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statement includes no provision for income taxes.

**Cash Flows**

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2023 and 2022**

**Net Position**

Net position represents the difference between assets and liabilities in the statement of net assets. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 2: RESTRICTIONS ON CASH**

Restricted Cash Accounts

A. Customer Deposit Account

The District is required to maintain special deposit accounts for customer deposits.

B. Capital Equipment Account

The Capital Equipment Account is being maintained for the purposes of purchasing and maintaining equipment. The District deposits \$2,000 per month into the account.

C. Debt Service Reserve Accounts

Deposits into bond and Interest Sinking Fund Account are required to be made monthly in order to accumulate funds for payment of bond principle and interest. The KIA (Kentucky Infrastructure Authority) Loan Account is being maintained for the purposes of accounting for principal and interest payments on the KIA Loan.

D. Depreciation Reserve

The Depreciation Reserve Accounts are being maintained as required in various bond documents. The District was required to deposit \$280 per month into these accounts. The District had a total of \$52,053 in these accounts for the purpose of maintaining the water system. The required balance at December 31, 2023 is \$58,976. This reserve was underfunded by \$6,923.

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**NOTE 2: RESTRICTIONS ON CASH (Continued)**

The following is a listing of restricted cash accounts of the District:

Customer Deposit Account	\$ 9,973
Capital Equipment Account	13,918
Debt Service Accounts:	
Bond Sinking Fund Account	65,799
KIA Account Loan Account	9,278
Depreciation Reserve:	
Depreciation Account	22,740
Sewer Depreciation Account	29,312
Certificates of Deposit-	
Replacement Reserves	0
Depreciation Fund	<u>0</u>

Total Restricted Cash Accounts \$ 151,020

**NOTE 3: CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does have a deposit policy for custodial credit risk. As of December 31, 2023, \$0 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank      \$0

**NOTE 4: COMPENSATED ABSENCES**

It is the District's policy to permit its employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave because the District does not have a policy to pay any amounts when employees separate from service with the District. The unused vacation or annual leave is considered a vested benefit.

In recognition of the resulting obligation, the District has accrued a liability for earned but unused vacation leave and accrued compensation time, having determined that payment of such compensation is probable and having developed a reasonable estimate based upon current salary costs, annual leave, and compensation time amounts as of December 31, 2023. The liability for compensated absences at December 31, 2023 was \$16,272.

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**NOTE 5: LONG-TERM DEBT**

**A. Waterworks Revenue Series A and Series B 1987**

On April 22, 1987, the District entered into an agreement with Rural Development to issue \$300,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvements to the existing waterworks system of the District. The Waterworks System Bond Issue consisted of Series A and B bonds.

Series A was issued in the amount of \$250,000 and Series B, in the amount of \$50,000. Semiannual interest payments at a rate of 6.375% for Series A and 5.875% for Series B are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2023 the principal balance outstanding was \$67,000 on Series A and \$14,100 on Series B. Debt Service requirements for year ending December 31, 2023, and thereafter is as follows:

*Waterworks Revenue Bond Series A 1987:*

Year Ended December 31	Principal	Interest and Fees
2024	15,000	3,793
2025	16,000	2,805
2026	17,000	1,753
2027	19,000	606
	67,000	8,957

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2023 and 2022**  
**NOTE 5: LONG-TERM DEBT (Continued)**

*Waterworks Revenue Bond Series B 1987:*

Year Ended December 31	Principal	Interest and Fees
2024	2,600	605
2025	2,800	447
2026	3,000	276
2027	3,200	94
	11,600	1,422

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**B. Waterworks Revenue Series 1996**

On August 5, 1996, the District entered into an agreement with Rural Development to issue \$295,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvement to the existing waterworks system of the District. Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2023, the principal balance outstanding was \$159,500. Debt Service requirements for year ending December 31, 2023, and thereafter is as follows:

*Waterworks Revenue Series 1996*

Year Ended December 31	Principal	Interest
2024	9,500	6,964
2025	9,500	6,536
2026	10,000	6,098
2027	10,500	5,636
2028	11,000	5,153
2029-2033	63,000	17,708
2034-2036	46,000	3,128
	\$159,500	\$51,221

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**C. Waterworks Revenue Series 2002**

On June 3, 2002, the District entered into an agreement with Rural Development to issue \$356,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction extensions, additions, and improvements to the existing waterworks system of the District.

Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2023, the principal balance outstanding was \$247,000. Debt Service requirements for year ending December 31, 2023, and thereafter is as follows:

*Waterworks Revenue Series 2002*

Year Ended December 31	Principal	Interest and Fees
2024	9,000	10,913
2025	9,000	10,508
2026	9,000	10,103
2027	10,000	9,675
2028	10,000	9,225
2029	11,000	8,753
2030-2034	61,000	35,888
2035-2039	77,000	20,453
2040-2042	51,000	3,398
	\$ 247,000	\$ 118,913

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**D. Waterworks Revenue Series 2010**

On May 10, 2010, the District entered into an agreement with Rural Development to issue \$798,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvement to the existing waterworks system of the District. Semiannual interest payments at a rate of 2.25% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2023, the principal balance outstanding was \$624,500. Debt Service requirements for year ending December 31, 2023, and thereafter is as follows:

*Waterworks Revenue Series 2010*

Year Ended December 31	Principal	Interest and Fees
2024	17,000	13,860
2025	17,500	13,472
2026	18,000	13,073
2027	18,500	12,662
2028	19,000	12,240
2029-2033	102,500	54,478
2034-2038	116,500	42,193
2039-2043	132,500	28,198
2044-2048	151,000	12,285
2049-2049	32,000	360
	\$ 624,500	\$ 202,821



**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**E. KIA Assistance Loan**

On April 1, 2015, the District entered into construction loan agreement with the Kentucky Infrastructure Authority (KIA) to finance upgrades to be made to the District's processing plant in the amount of \$821,721. The loan also included principal forgiveness in the amount of \$205,430 to be given the first two years of the agreement. Semiannual principal and interest payments are required beginning June 1, 2017. Interest is calculated at a rate of .75% for the term of the loan. As of December 31, 2023, the principal balance outstanding was \$411,002.

*KIA Assistance Loan*

	Year Ended December 31	Principal	Interest and Fees
2024	30,215	4,035	
2025	30,442	3,732	
2026	30,671	3,427	
2027	31,001	3,120	
2028	31,134	2,810	
2029-2033	159,212	9,324	
2034-2036	98,327	1,728	
	\$ 411,002	\$ 28,175	

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**F. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Proprietary Activities:</u>					
Revenue Bonds	1,159,100	-	49,500	1,109,600	49,500
Loans Payable	440,992	-	29,990	411,002	30,215
<b>Proprietary Activities</b>					
Long-Term Liabilities	1,600,092	-	79,490	1,520,602	79,715

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2023 and 2022**

**7. RETIREMENT PLAN**

The Garrison-Quincey-Ky-O-Heights Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

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

*Contributions-* For the year ended December 31, 2023, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actual valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2023, participating employers contributed 26.79%, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 8. Plan members contributed 26.95% to the pension trust through June 30<sup>th</sup> and 26.79%, thereafter for non-hazardous job classifications for the year ended December 31, 2023. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

For the year ended December 31, 2023, the District contributed \$54,137 or 100% of the required contribution for non-hazardous job classifications. Benefits- CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**7. RETIREMENT PLAN (CONTINUED)**

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 of 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 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 to 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 to 87+
	Reduced Retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hires date multiplied by the average of the highest 5 years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit 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 children 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 non-service-related disability benefits.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources-* At December 31, 2023, the District reported a liability of \$511,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and was rolled forward using generally accepted actuarial procedures. The District 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 June 30, 2023, the District's proportion was .007970 percent, which was a decrease of .0003 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized pension expense of \$65,783. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2023 and 2022**

**7. RETIREMENT PLAN (CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 26,474	\$ 1,390
Changes of Assumptions	-	46,870
Net difference between projected and actual earnings on Plan Investments	-	6,976
Changes in proportion and differences between District contributions and proportionate share of contributions	-	23,835
District contributions subsequent to the measurement date	27,069	-
<b>Total</b>	<b>\$ 53,543</b>	<b>\$ 79,071</b>

The \$53,543 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending December 31,</b>	
2024	\$ (33,425)
2025	\$ (25,636)
2026	\$ 11,416
2027	\$ (4,952)

*Actuarial Assumptions-* The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, 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 2013-2018, projected with the ultimate rates from MP- 2014 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was 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 actuarial assumption used in the June 30, 2023 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranged 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 are summarized in the following table:

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**7. RETIREMENT PLAN (CONTINUED)**

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100%</b>	<b>6.25%</b>

*Discount Rate-* The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate-* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, 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 (5.25 percent) or 1- percentage- point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$645,668
Current discount rate	6.25%	\$511,396
1% increase	7.25%	\$399,810

*Payable to the Pension Plan-* The district reported a payable of \$5,849.43 as of December 31, 2022, for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description-* As more fully described in Note 7, the District participates in the County Employees' Retirement System (CERS). CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions-* As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2023, the employer's contribution was 4.17% through June 30<sup>th</sup> and 3.39% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended December 31, 2023, the District contributed \$7,843, or 100% of the required contribution for non-hazardous job classifications.

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

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

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

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2023 and 2022**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources-* At December 31, 2023, the District reported a liability for its proportionate share of the net OPEB liability of \$(11,004). The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2023 was .007970% percent, which was an decrease of .0003 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized OPEB expense of \$7,843. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 7,671	\$ 156,245
Changes of Assumptions	21,655	15,091
Net difference between projected and actual earnings on Plan Investments		2,554
Changes in proportion and differences between District contributions and proportionate share of contributions	1,204	16,920
District contributions subsequent to the measurement date	3,922	-
<b>Total</b>	<b>\$ 34,452</b>	<b>\$ 190,810</b>

The \$34,452 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023. This includes an adjustment of \$3,587 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

<b>Year ending December 31,</b>		
2024	\$	(41,130)
2025	\$	(50,755)
2026	\$	(37,147)
2027	\$	(31,249)
2028	\$	-

*Actuarial Assumptions-* The total OPEB liability in the June 30, 2023, actuarial validation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Non-hazardous**

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-Hazardous and Hazardous, and 0.0% for KERS Non-Hazardous and Hazardous
Salary increases	3.30% to 10.30%, varies by service for CERS Non-Hazardous; 3.55% To 19.05%, varies by service for CERS Hazardous; 3.30% to 15.30%, Varies by service for KERS Non-Hazardous; and, 3.55% to 20.05%, Varies by service for KERs Hazardous
Investment rate of return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.9% at January 1, 2023, and increasing to 6.30% in 2024 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

The mortality table used for active members was a Pub-2010 General Mortality table, 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 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was 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 actuarial assumption used in the June 30, 2023 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate 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 are summarized in the following table:

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2023 and 2022**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100%</b>	<b>6.25%</b>

*Discount Rate-* the discount rate used to measure the total OPEB liability was 5.93% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2023, the discount rate determination used an expected rate of return of 6.93%, and a municipal bond rate of 3.13% as reported in Fidelity Index’s “20-Year Municipal GO AA Index”. As of June 30, 2022, the discount rate determination used an expected rate of return of 6.93%, and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate-* The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage- point lower or 1-percentage- point higher than the current rate:

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.93%	\$20,650
Current discount rate	5.93%	\$(11,004)
1% increase	6.93%	\$(37,510)

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2023 and 2022**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Sensitivity of the District's Proportionate Share of the NET OPEB Liability to Changes in the Healthcare Cost Trend Rate-* The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$20,650
Current trend rate	\$(11,004)
1% increase	\$(37,510)

*OPEB plan fiduciary net position-* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2023 and 2022**

**NOTE 9: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the district also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage. The District is a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**NOTE 10: CONTINGENCIES**

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

**NOTE 11: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of this report and nothing came to attention that should be disclosed.

Garrison Water District  
CAPITAL ASSETS SCHEDULE FOR NOTE DISCLOSURE  
December 31, 2023

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Proprietary Activities:</u>				
Capital Assets Not Being Depreciated:				
Land & Easements - Water Distribution	\$ 261,788	\$ -	\$ -	\$ 261,788
Land & Easements - Sewer Processing	50,000	-	-	50,000
Total Capital Assets Not Being Depreciated	<u>311,788</u>	<u>-</u>	<u>-</u>	<u>311,788</u>
Capital Assets, Being Depreciated:				
Buildings - Water Distribution	392,303	5,500		397,803
Buildings - Sewer Processing	1,151,175	-		1,151,175
Wells, Springs, & Reservoirs	1,001,151			1,001,151
Pumping Equipment	236,184	122,741		358,925
Transmission & Distribution	4,225,539			4,225,540
Water Treatment	542,810			542,810
Sewer Lines	4,100,000	20,000		4,120,000
Vehicles & Heavy Equipment	113,229	8,000		121,229
Office, Tools, & Other Equipment	30,155	-	-	30,155
Total Capital Assets Being Depreciated	<u>11,792,547</u>	<u>156,241</u>	<u>-</u>	<u>11,948,788</u>
Less Accumulated Depreciation For:				
Buildings - Water Distribution	(273,541)	(9,068)		(282,609)
Buildings - Sewer Processing	(276,135)	(23,434)		(299,569)
Wells, Springs, & Reservoirs	(222,113)	(22,248)		(244,361)
Pumping Equipment	(169,738)	(8,766)		(178,504)
Transmission & Distribution	(1,389,695)	(65,008)		(1,454,703)
Water Treatment	(542,810)			(542,810)
Sewer Lines	(655,996)	(54,667)		(710,663)
Vehicles & Heavy Equipment	(114,637)	(800)		(116,109)
Office, Tools, & Other Equipment	(25,971)	(892)		(26,863)
Total Accumulated Depreciation	<u>(3,670,637)</u>	<u>(184,881)</u>	<u>-</u>	<u>(3,856,191)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,121,910</u>	<u>(28,640)</u>	<u>-</u>	<u>8,092,597</u>
Proprietary Activities Capital Assets, Net	<u>\$ 8,433,698</u>	<u>\$ (28,640)</u>	<u>\$ 0</u>	<u>\$ 8,404,385</u>

Proprietary Activities:

Proprietary Activities	<u>184,881</u>
Total Depreciation Expense - Proprietary Activities	<u>\$ 184,881</u>

SOI: Referenced

**REQUIRED SUPPLEMENTAL INFORMATION**

**GARRISON-QUINCEY-KY-O-HEIGHT WATER DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Last Nine Calendar Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension liability	0.09380%	0.00974%	0.00974%	0.00908%	0.00915%	0.00951%	0.008663%	0.008255%	0.007970%
District's proportionate share of the net pension liability (asset)	\$294,000	\$403,216	\$479,531	\$527,559	\$643,453	\$729,563	\$552,334	\$596,755	\$511,396
District's covered employee payroll	\$234,905	\$232,145	\$229,556	\$226,292	\$238,633	\$235,837	\$221,092	\$221,869	\$257,296
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	125.16%	173.69%	208.89%	233.13%	269.64%	309.35%	249.82%	268.97%	198.76%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2023 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

The above schedule will present 10 years of historical data, once available.

**GARRISON -QUINCEY-KY-O-HEIGHTS WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY**  
**SCHEDULE OF CONTRIBUTIONS-PENSION**  
**Last Ten Calendar Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 28,566.00	\$ 2,800.00	\$ 27,898.00	\$ 27,670.00	\$ 30,611.00	\$ 37,430.00	\$ 47,023.00	\$ 42,705.00	\$ 51,998.00	\$ 54,137.00
Contributions relative to contractually required employer contribution	\$ 28,566.00	\$ 2,800.00	\$ 27,898.00	\$ 27,670.00	\$ 30,611.00	\$ 37,430.00	\$ 47,023.00	\$ 42,705.00	\$ 51,998.00	\$ 54,137.00
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 201,284.00	#####	\$220,216.00	\$229,556.00	\$226,293.00	#####	\$235,837.00	\$221,092.00	\$221,869.00	\$257,296.00
Plan fiduciary net position as a percentage of the total pension liability	14.19%	1.26%	12.67%	12.05%	13.53%	15.69%	19.94%	19.32%	23.44%	21.04%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2023 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

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



**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**Last Seven Calendar Years**

	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net OPEB liability	0.00000%	0.00901%	0.00915%	0.009509%	0.008661%	0.008253%	0.007970%
District's proportionate share of the net OPEB liability (asset)	\$ 142,122.00	\$181,192.00	\$153,832.00	\$ 229,613.00	\$ 165,811.00	\$162,874.00	\$ (11,004.00)
District's covered employee payroll	\$ 229,556.00	\$226,293.00	\$238,633.00	\$ 235,837.00	\$ 221,092.00	\$221,869.00	\$ 257,296.00
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	61.91%	80.07%	64.46%	97.36%	75.00%	73.41%	-4.28%
Plan fiduciary net position as a percentage of the total OPEB liability.	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

**Notes:**

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2023 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net OPEB liability is 6 months preceding the calendar year of the District.

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT**  
**REQUIRED SUPPLEMENTARY**  
**SCHEDULE OF CONTRIBUTIONS- OPEB**  
**Last Ten Calendar Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 9,200.00	\$ 9,988.00	\$ 9,884.00	\$ 10,302.00	\$ 10,379.00	\$ 10,592.00	\$ 12,138.00	\$ 11,597.00	\$ 10,533.00	\$ 9,519.00
Contributions relative to contractually required employer contribution	\$ 9,200.00	\$ 9,988.00	\$ 9,884.00	\$ 10,302.00	\$ 10,379.00	\$ 10,592.00	\$ 12,138.00	\$ 11,597.00	\$ 10,533.00	\$ 9,519.00
Contribution deficiency (excess)	\$ 201,284.00	\$ 221,661.00	\$ 220,216.00	\$ 229,556.00	\$ 226,293.00	\$ 238,633.00	\$ 235,837.00	\$ 221,092.00	\$ 221,869.00	\$ 257,296.00
District's covered employee payroll	4.57%	4.51%	4.49%	4.49%	4.59%	4.44%	5.15%	5.25%	4.75%	3.70%
Employer contributions as a percentage of covered-employee payroll										

**Notes:**

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2023 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

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

The above schedule will present 10 years of historical data, once available.

**DONNA J. HENDRIX**  
**CERTIFIED PUBLIC ACCOUNTANT**

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

131 E. ELECTRIC AVENUE  
FLEMINGSBURG, KY 41041  
(606)845-5210

550 W. FIRST ST., P.O. BOX 449  
MOREHEAD, KY 40351  
(606) 784-4451  
(606) 784-8224 (FAX)

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  
Garrison-Quincy-KY-O-Heights Water District

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 Garrison-Quincy-KY-O-Heights Water District as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Garrison-Quincy-KY-O-Heights Water District, Kentucky's basic financial statements and have issued our report thereon dated July 15, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Garrison-Quincy-KY-O-Heights Water District, Kentucky'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 Garrison-Quincy-KY-O-Heights Water District, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garrison-Quincy-KY-O-Heights Water District, Kentucky'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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Garrison-Quincy-KY-O-Heights Water District, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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.

*Donna J. Hendrix, CPA*

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

July 15, 2024