



Warren County Water District

**Component Unit of
Warren County, Kentucky**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2023 and 2022



	Page
INTRODUCTORY SECTION	
Table of Contents	
FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements	
Statements of Net Position.....	12
Statements of Revenues, Expenses and Changes in Net Position.....	14
Statements of Cash Flows.....	17
Notes to Financial Statements	19
Required Supplementary Information	
Schedule of Employer Required Contributions	43
Notes to the Schedule of Employer Required Contributions	44
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	45
Supplementary Information	
Schedule of Budgetary Comparison	47
Statement of Net Position By Division	49
Statement of Revenues, Expenses, and Changes in Net Position by Division	53
REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
THOUGHT LEADERSHIP	
Join our Conversation	



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

Opinion

We have audited the accompanying financial statements of Warren County Water District (the "District"), a component unit of Warren County, Kentucky, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the 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 financial position of Warren County Water District as of December 31, 2023 and 2022, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 5 through 11, and select pension/OPEB information on pages 43 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024 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 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 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 18, 2024

Warren County Water District Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warren County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2023, and 2022. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

The following are highlights of Warren County Water District for year ending December 31, 2023:

- Total Net Position increased by \$16,178,332 or 9.9% to \$180,389,456 from \$164,211,124 reflecting several residential developments and construction projects placed into service. In year 2022, Total Net Position increased by \$10,109,471 or 6.6% to \$164,211,124 from \$154,101,653 reflecting several residential developments placed into service.
- Operating Revenues increased by \$1,096,690 or 5.1% to \$22,618,366 compared to \$21,521,676 in 2022 due to increases in retail rates (partial year) and customer demand. In year 2022, Operating Revenues increased by \$1,724,501 or 8.7% to \$21,521,676 compared to \$19,797,175 in 2021 due to increases in retail rates and customer demand.
- Operating Expenses increased by \$1,096,087 or 4.9% to \$23,333,360 compared to \$22,237,273 in 2022 due to increases in wages & benefits, supplier wholesale rates (partial year), customer demand, and expense. In year 2022, Operating Expenses increased by \$3,768,728 or 20.4% to \$22,237,273 compared to \$18,468,545 in 2021 due to increases in supplier wholesale rates, customer demand, and adjustment to depreciation expense.
- A Net Loss Before Contributions of \$419,009 was recorded compared to a net loss of \$883,875 in 2022. The net loss reflects increased operating costs and interest expense related to the RWFA, Series 2022D loan. In year 2022, a Net Loss Before Contributions of \$883,875 was recorded compared to net income of \$1,283,492 in 2021 reflecting an accounting adjustment of \$1,599,743 to depreciation expense for estimated useful lives of utility plant.
- Utility Plant increased by \$17,751,529 or 10.9%, net of depreciation, to \$180,755,085 from \$163,003,556 in 2022 due to water & sewer line extensions from developers and a large project placed into service. In year 2022, Utility Plant increased by \$10,926,620 or 7.2%, net of depreciation, to \$163,003,556 from \$152,076,935 in 2021 due a considerable number of water & sewer line extensions from developers placed into service.
- Total water sold and billed to the District's customers during the year amounted to 3.05 billion gallons compared to 2.99 billion gallons in the prior year, an increase of 2%. Total sewer service billed to customers totaled 1.41 billion gallons compared to 1.35 billion gallons in the prior year, an increase of 4.4%.
- The peak water demand month was July with 293 million gallons sold and the peak demand day was June 5th with 13.6 million gallons pumped.
- The water division added 1,540 customers and the sewer division added 713 customers throughout the year. The number of customers at the end of the year for the water and sewer divisions was 33,873 and 10,241, respectively.
- Average metered water revenue billed to customers was \$27.34 per residential customer and \$192.32 per commercial customer. Average sewer revenue was \$23.89 per residential customer and \$341.86 per commercial customer.
- The water division has a total of 1,197 miles of water main serving an average of 28 customers per mile. The sewer division has 219 miles of collection mains serving an average of 47 customers per mile.

Warren County Water District Management's Discussion and Analysis

Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Warren County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

Financial Analysis

Budgetary Analysis for the Year Ended December 31, 2023

Total Revenues were under budget by \$342,517 due to lower than anticipated customer demand during the winter months. The following were near budgeted amounts: *Forfeited Discounts* (late charges), *Miscellaneous Service Revenue* (connection fees, collection fees, and meter tampering fees), *Interest Income* (debt service, construction, and reserve funds), and *Other Revenues* (rental income, income from billing services).

Total Expenses related to providing water and sewer service and maintaining the District's distribution and collection system were under budget by \$423,208. *Operating Expenses* were under budget including purchased water and sewage disposal costs of \$181,891 and \$26,385, respectively. *Depreciation* was under budget by \$113,675 due to some assets not placed into service when budgeted and *Other Expenses* were under budget by \$53,951 which included gains on investments that were not budgeted.

The District recorded a Net Loss of \$419,009 and *Contribution in Aid of Construction* was below budget by \$4,178,383 due to grant funds that were not received when budgeted. *Net Change in Net Position* totaled \$16,178,332 and was less than budget by \$4,097,692.

Table 1
TABLE OF BUDGETARY COMPARISON

	Budget Year 2023	Actual Year 2023	Variances Favorable \ (Unfavorable)
Revenues			
Metered Water Revenue	\$16,173,100	\$15,925,793	(\$247,307)
Metered Sewer Revenue	6,181,100	6,097,839	(83,261)
Forfeited Discounts	284,500	292,126	7,626
Miscellaneous Service Revenue	304,300	301,408	(2,892)
Interest Income	704,000	691,429	(12,571)
Other Revenues	197,800	193,688	(4,112)
Total Revenues	23,844,800	23,502,283	(342,517)
Expenses			
Operating Expenses	17,852,600	17,613,887	238,713
Depreciation	5,795,300	5,681,625	113,675
Interest Expense	693,400	676,531	16,869
Other Expenses	3,200	(50,751)	53,951
Total Expenses	24,344,500	23,921,292	423,208
Net Loss (Income)	(499,700)	(419,009)	80,691
Contribution in Aid of Construction	20,775,724	16,597,341	(4,178,383)
Net Change in Net Position	\$20,276,024	\$16,178,332	(\$4,097,692)

Budgetary Analysis for the Year Ended December 31, 2022

Total Revenues were over budget by \$365,016 reflecting greater customer demand during the summer months. The following were near budgeted amounts: *Forfeited Discounts* (late charges), *Miscellaneous Service Revenue*

Warren County Water District Management's Discussion and Analysis

(connection fees, collection fees, and meter tampering fees), *Other Revenues* (rental income, income from billing services). *Interest Income* exceeded budget due to higher rates of return on investments.

Total Expenses related to providing water and sewer service and maintaining the District's distribution and collection system were under budget by \$42,609. Operating expenses were over budget including purchased water and sewage disposal costs of \$222,856 and \$52,993, respectively. Other expenses were under budget due to an actuarial adjustment of \$255,473 to Other Post Employment Benefits (OPEB).

The District recorded an adjustment of \$1,599,743 to depreciation expense revising the estimated useful lives of Utility Plant (see Note 2: Change in Accounting Estimate). This accounting adjustment contributed to the *Loss before Contributions* of \$883,875. *Contribution in Aid of Construction* was less than budget by \$1,461,254 and included the transfer of water and sewer line extensions from developers. *Net Change in Net Position* totaled \$10,109,471 and was less than budget by \$1,053,629.

Table 2
TABLE OF BUDGETARY COMPARISON

	Budget Year 2022	Actual Year 2022	Variances Favorable \ (Unfavorable)
Revenues			
Metered Water Revenue	\$14,901,200	\$15,148,425	\$247,225
Metered Sewer Revenue	5,775,400	5,814,365	38,965
Forfeited Discounts	280,900	282,159	1,259
Miscellaneous Service Revenue	274,500	272,992	(1,508)
Interest Income	97,900	176,559	78,659
Other Revenues	206,700	207,116	416
Total Revenues	21,536,600	21,901,616	365,016
Expenses			
Operating Expenses	15,827,400	16,036,341	(208,941)
Depreciation	6,424,100	6,406,205	17,895
Interest Expense	380,900	387,566	(6,666)
Other Expenses	195,700	(44,621)	240,321
Total Expenses	22,828,100	22,785,491	42,609
Net Loss (Income)	(1,291,500)	(883,875)	407,625
Contribution in Aid of Construction	12,454,600	10,993,346	(1,461,254)
Net Change in Net Position	\$11,163,100	\$10,109,471	(\$1,053,629)

Statement of Net Position

A summary of the District's Net Position is presented below in Table 3. The District's assets exceeded liabilities by \$180,389,456 for the year.

Current & Non-Current Assets totaled \$32,561,426, an increase of \$187,022 from last year reflecting increases in accounts receivable and inventory. *Utility Plant* is the largest portion of the District's assets and includes land, water distribution mains, sewer mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In year 2023, utility plant totaled \$180,755,085 net of depreciation, reflecting an increase of \$17,751,529 over the prior year. The increase in utility plant includes residential developments placed into service during the year including expanding water and sewer capacity to industries in the Kentucky Transpark, pump station upgrades, and line replacements. *Deferred Outflows of Resources* is the prepayment of the District's defined benefit retirement plan amortized over ten years through 2027. *Current and Non-Current Liabilities* totaled \$24,440,901 and increased \$13,816,456 reflecting the Rural Water Financing Agency (RWFA) Series 2022D bank anticipation loan of \$11,370,000 that becomes due on August 1, 2024. *Net Long-Term Debt* totaled \$9,138,898, a decrease of \$12,217,642 reflecting the RWFA, Series 2022D bank anticipation loan classification to current liabilities combined with the reduction of other debt obligations.

Warren County Water District Management's Discussion and Analysis

The District's *Total Net Position* totaled \$180,389,456 and increased by \$16,178,332 comparatively over the prior year. *Total Liabilities & Net Position* totaled \$213,969,255 for year 2023, an increase of \$17,777,146, or 9.1%.

Table 3
CONDENSED STATEMENT OF NET POSITION
December 31, 2023

Assets	Year 2023	Year 2022	Increase (Decrease)	
Current & Non-Current Assets	\$32,561,426	\$32,374,404	\$187,022	0.6%
Utility Plant	180,755,085	163,003,556	17,751,529	10.9%
Total Assets	213,316,511	195,377,960	17,938,551	9.2%
Deferred Outflows of Resources				
Deferred Outflows - Retirement Plan	652,744	814,149	(161,405)	-19.8%
Total Assets & Deferred Outflows	213,969,255	196,192,109	17,777,146	9.1%
Liabilities				
Current & Non-Current Liabilities	24,440,901	10,624,445	13,816,456	130.0%
Net Long-Term Debt	9,138,898	21,356,540	(12,217,642)	-57.2%
Total Liabilities	33,579,799	31,980,985	1,598,814	5.0%
Net Position				
Net Investment in Capital Assets	168,273,787	152,943,259	15,330,528	10.0%
Restricted for Depreciation Reserves	3,829,608	3,672,117	157,491	4.3%
Unrestricted	8,286,061	7,595,748	690,313	9.1%
Total Net Position	180,389,456	164,211,124	16,178,332	9.9%
Total Liabilities & Net Position	\$213,969,255	\$196,192,109	\$17,777,146	9.1%

Statement of Revenues, Expenses, and Changes in Net Position

This statement identifies various revenue and expense items, which impact the change in net position. A summary of this statement is presented in Table 4 below.

Table 4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

	Year 2023	Year 2022	Increase (Decrease)	
Operating Revenues				
Metered Water Revenue	\$15,925,793	\$15,148,425	\$777,368	5.1%
Metered Sewer Revenue	6,097,839	5,814,365	283,474	4.9%
Forfeited Discounts	292,126	282,159	9,967	3.5%
Miscellaneous Service Revenue	302,608	276,727	25,881	9.4%
Total Operating Revenues	22,618,366	21,521,676	1,096,690	5.1%
Operating Expenses				
Wages & Benefits	3,296,602	2,709,897	586,705	21.7%
Commissioner Fees	30,000	30,000	-	0.0%
Purchased Water	8,149,609	7,471,956	677,653	9.1%
Sewage Disposal	3,374,015	3,203,293	170,722	5.3%
Purchased Power	700,400	717,523	(17,123)	-2.4%
Materials & Chemicals	437,859	332,134	105,725	31.8%
Contractual Services	1,050,139	841,972	208,167	24.7%

Warren County Water District Management's Discussion and Analysis

Rental of Building	57,450	57,998	(548)	-0.9%
Equipment	334,501	327,286	7,215	2.2%
Depreciation	5,681,625	6,406,205	(724,580)	-11.3%
Other Operating Expenses	221,160	139,009	82,151	59.1%
Total Operating Expenses	<u>23,333,360</u>	<u>22,237,273</u>	<u>1,096,087</u>	4.9%
Non-Operating Revenues (Expenses)				
Interest Income	691,429	176,559	514,870	291.6%
Rental Income	121,949	134,929	(12,980)	-9.6%
Non-Utility Income	81,544	82,261	(717)	-0.9%
Gain (Loss) on Investments	35,716	-	35,716	100.0%
Gain (Loss) on Disposals	32,445	(7,361)	39,806	-540.8%
Debt Issuance Cost	9,433	(167,100)	176,533	-105.6%
Interest Expense	(676,531)	(387,566)	(288,965)	74.6%
Total Non-Operating Revenues (Expenses)	<u>295,985</u>	<u>(168,278)</u>	<u>464,263</u>	-275.9%
(Loss) Income Before Capital Contributions	<u>(419,009)</u>	<u>(883,875)</u>	<u>464,866</u>	-52.6%
Capital Contributions	16,597,341	10,993,346	5,603,995	51.0%
Change in Net Position	16,178,332	10,109,471	6,068,861	60.0%
Net Position, Beginning of Year	164,211,124	154,101,653	10,109,471	6.6%
Total Net Position, End of Year	<u>180,389,456</u>	<u>164,211,124</u>	<u>\$16,178,332</u>	9.9%

Total Operating Revenue increased by \$1,096,690 or 5.1% compared to the prior year. *Metered Water Revenue* and *Metered Sewer Revenue* increased by \$777,368 and \$283,474, respectively, reflecting a partial year impact from a retail rate increase and increases in customer demand. On September 1, 2022, retail rate increases were implemented in both water and sewer divisions to absorb wholesale purchased water and disposal rate increases from the District's provider, Bowling Green Municipal Utilities (BGMU). Overall, the volume of water sold during the year totaled 3.05 billion gallons versus 2.99 billion gallons in the prior year, a 2% increase of 60 million gallons. The volume of sewer revenue billed totaled 1.41 billion gallons versus 1.35 billion gallons last year, a 4.4% increase of 60 million gallons. The District continues to experience significant growth with the water division adding 1,540 customers for a total of 33,873, and the sewer division adding 713 customers for a total of 10,241 customers. *Forfeited Discounts* which are late charges increased by \$9,967 and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees increased by \$25,881 compared to the prior year.

Total Operating Expenses increased by \$1,096,087, a 4.9% increase when compared to the prior year. *Wages & Benefits* increased by \$586,705 reflecting increases in transmission & distribution wages, cost-of-living, and Other Post Employment Benefit (OPEB) expense. *Purchased Water* and *Sewage Disposal* costs increased by \$677,653 and \$170,722 respectively, due to increases in customer demand and impact of a partial year supplier wholesale rate increase. *Depreciation* expense decreased by \$724,580 reflecting an accounting adjustment of \$1,599,743 revising the useful lives of utility plant recorded in the prior year.

Loss Before Capital Contributions was \$419,009 reflecting increased operating costs and interest expense related to the RWFA, Series 2022D bank anticipation loan. *Capital Contributions* of \$16,597,341 recorded during the year included the following: contributions from the Inter-Modal Transportation Authority (ITA) of \$8,361,922; developers, \$4,723,590; new meter installation fees, \$1,766,520; American Rescue Plan Act (ARPA), \$778,135; new sewer tap fees, \$408,930; Kentucky Transportation Cabinet, \$220,589; and various other contributions totaling \$337,655.

Changes in Utility Plant

The largest portion of the District's assets are invested in the water distribution and sewer collection system amounting to \$180,755,085 net of depreciation, as of December 31, 2023. Table 5 details changes in capital assets.

Warren County Water District Management's Discussion and Analysis

Table 5
CHANGES IN UTILITY PLANT
(Net of Depreciation)

	December 31, 2023	December 31, 2022	Increase (Decrease)	
WATER DIVISION				
Land	\$1,323,353	\$1,323,353	\$0	0.0%
Structures	5,328,669	5,515,710	-187,041	-3.4%
Pumping Equipment	1,439,678	1,078,316	361,362	33.5%
Storage Tanks	7,584,074	8,004,373	-420,299	-5.3%
Distribution Mains	56,459,462	53,510,087	2,949,375	5.5%
Meters	21,342,441	20,878,427	464,014	2.2%
Hydrants	4,360,729	4,113,383	247,346	6.0%
Hardware & Software	940,896	544,835	396,061	72.7%
Vehicles and Equipment	851,410	1,114,472	-263,062	-23.6%
Other	617,418	200,578	416,840	207.8%
Construction In Progress	11,862,886	1,862,833	10,000,053	536.8%
Subtotal - Water Division	112,111,016	98,146,367	13,964,649	14.2%
SEWER DIVISION				
Land	\$1,325,112	\$1,325,112	\$0	0.0%
Structures	13,146,065	12,083,031	1,063,034	8.8%
Pumping Equipment	508,126	354,942	153,184	43.2%
Collection Mains	42,803,012	38,612,726	4,190,286	10.9%
Taps	8,736,140	8,115,239	620,901	7.7%
Hardware & Software	151,827	53,371	98,456	184.5%
Other	179,307	182,585	-3,278	-1.8%
Construction In Progress	1,794,480	4,130,183	-2,335,703	-56.6%
Subtotal - Sewer Division	68,644,069	64,857,189	3,786,880	5.8%
TOTAL - WATER & SEWER	\$180,755,085	\$163,003,556	\$17,751,529	10.9%

Total utility plant net of depreciation increased by \$17,751,529 or 10.9%, compared to the prior year. The increase in utility plant consisted of the following: (1) water and sewer line extensions from developers, \$2,413,500 and \$2,903,054 respectively; (2) Transpark, Phase 2, \$4,237,393; (3) customer meter additions, \$1,954,822; (4) Commonwealth Boulevard Line Relocation, \$799,285; (5) other asset additions, \$1,062,483; (6) an increase in construction in progress, \$7,664,350; and (7) a reduction of \$3,283,358 for accumulated depreciation.

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds, Kentucky Rural Water Finance Corporation (KRWFC) loans, and Kentucky Infrastructure Authority (KIA) loans. In October 2022, the District issued the KRWFC, Series 2022D bank anticipation note totaling \$11,370,000 and maturing on August 1, 2024. Series 2022D loan proceeds will provide funding for various water and sewer projects. On December 31, 2023, the District had \$21,207,492 in outstanding principal compared to \$22,015,966 in the previous year, a decrease of \$808,474.

Factors Affecting Next Year's Budget

- The inflationary impact on the cost of materials, equipment, and services.
- The ability to procure materials and equipment in a timely and cost-effective manner.

Warren County Water District Management's Discussion and Analysis

- Significant projects to upgrade and extend the District's water and sewer system were budgeted.
- The District budgeted system improvements that will be funded by proceeds from the American Rescue Plan Act (ARPA).
- The impact of regulatory requirements from the Kentucky Division of Water, Kentucky Public Service Commission, and the Environmental Protection Agency.

The District's board of commissioners adopted the budget for year 2024 at its meeting held in November 2023. Metered water sales and metered sewer revenue combined are budgeted to increase by 4.1%. Total revenue is budgeted to increase by 3.9% and total expenses are budgeted to increase by 11.8% from year 2023. A net loss before contributions of \$1,374,920 is budgeted. Debt service payments are expected to total \$1,677,420 for both divisions with a reduction in outstanding debt of \$830,300. The capital budget totaled \$90,722,400 with contributions from customers and governmental agencies totaling \$57,924,500, funds from financing totaling \$21,868,000, and from in-house funds totaling \$10,929,900.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at www.warrenwater.com.



FINANCIAL STATEMENTS



Warren County Water District Statements of Net Position

<i>December 31,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 6,775,441	\$ 9,282,831
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of \$476,497 and \$451,070, respectively	2,170,422	2,499,114
Accounts receivable – Butler County Water System	137,963	127,688
Accounts receivable – Simpson County Water District	97,334	111,748
Other accounts receivable	1,945,174	656,201
Interest receivable	73,908	56,014
Materials and supplies inventory	2,716,268	1,520,900
Prepaid expenses	111,996	103,385
Total current assets	14,028,506	14,357,881
Non-current assets		
Utility Plant		
Utility plant in service	242,920,765	229,550,228
Construction in progress	13,657,366	5,993,016
Less accumulated depreciation	(75,823,046)	(72,539,688)
Total utility plant, net	180,755,085	163,003,556
Right-to-use lease assets	32,163	-
Restricted cash and equivalents	5,246,965	4,051,364
Restricted investments	9,150,149	13,360,594
Investments	3,761,351	250,000
Accounts receivable:		
Accounts receivable – Butler County Water System	129,688	122,164
Accounts receivable – Simpson County Water District	90,924	85,528
Other assets	121,680	146,873
Total non-current assets	199,288,005	181,020,079
Total assets	213,316,511	195,377,960
Deferred outflows of resources		
Deferred outflows related to retirement security plan	652,744	814,149
Total deferred outflows of resources	652,744	814,149

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

Warren County Water District
Statements of Net Position
(Continued)

<i>December 31,</i>	2023	2022
Liabilities		
Current liabilities		
Accounts payable	3,488,597	2,240,443
Accounts payable – Butler County Water System	4,122	5,950
Accounts payable – Simpson County Water District	13,300	6,215
Accrued expenses	1,507,767	991,496
Contractor advances for construction	115,202	173,428
Lease Liability	32,163	-
Current portion of long-term debt	12,200,312	808,476
Total current liabilities	17,361,463	4,226,008
Non-current liabilities		
Long-term debt		
Bonds and loans payable	1,551,000	1,584,500
Notes payable	19,656,492	20,431,466
Less: Net unamortized bond premium	131,718	149,050
Less: Current portion of long-term debt	(12,200,312)	(808,476)
Net long-term debt	9,138,898	21,356,540
Customer meter deposits	1,674,101	1,601,197
Rebates payable	3,672,997	3,657,173
Unearned revenue for cellular leases	593,112	76,839
Other post employment benefit obligation	1,139,228	1,063,228
Total non-current liabilities	16,218,336	27,754,977
Total liabilities	33,579,799	31,980,985
Net Position		
Net investment in capital assets	168,331,443	152,943,259
Restricted	3,829,081	3,672,117
Unrestricted	8,228,932	7,595,748
Total net position	\$ 180,389,456	\$ 164,211,124

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

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position

<i>For the years ended December 31,</i>	2023	2022
Operating Revenues		
Metered sales		
Residential	\$ 12,606,071	\$ 12,044,505
Industrial	5,662,263	5,254,709
Commercial	3,755,298	3,663,576
<hr/>		
Total metered sales	22,023,632	20,962,790
<hr/>		
Forfeited discounts	292,126	282,159
Miscellaneous service revenue	302,608	276,727
<hr/>		
Total operating revenues	22,618,366	21,521,676
<hr/>		
Operating Expenses		
Source of supply expense		
Purchased water	8,149,609	7,471,956
Sewage disposal	3,374,015	3,203,293
<hr/>		
Total source of supply expense	11,523,624	10,675,249
<hr/>		
Pumping plant expense		
Power purchased	687,882	705,648
Chemicals	31,064	37,535
Contractual services	7,134	6,044
Rental expense	4,924	4,971
Insurance	17,311	14,347
<hr/>		
Total pumping plant expense	748,315	768,545
<hr/>		
Transmission and distribution expense		
Salaries and benefits	1,389,916	1,221,418
Power purchased	12,518	12,191
Contractual services	332,121	166,519
Rental expense	18,877	19,057
Transportation	244,654	222,291
Insurance	52,512	44,067
Materials and supplies	350,778	237,679
<hr/>		
Total transmission and distribution expense	2,401,376	1,923,222

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

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position
(Continued)

<i>For the years ended December 31,</i>	2023	2022
Operating Expenses		
Customer accounts expense		
Salaries and benefits	960,133	887,516
Contractual services	295,803	289,857
(Recovery) uncollectible accounts - net	25,423	(8,730)
Rental expense	28,725	28,999
Transportation	79,837	94,567
Insurance	9,128	7,553
Miscellaneous	5,243	8,950
Materials and supplies	17,968	12,060
Total customer accounts expense	1,422,260	1,320,772
Administrative and general expense		
Salaries and benefits	946,553	600,647
Office supplies	38,130	45,010
Commissioner fees	30,000	30,000
Contractual services	415,081	379,552
Insurance	14,516	12,661
Rental expense	4,924	4,971
Regulatory commission expense	28,986	32,683
Miscellaneous	68,041	27,478
Transportation	9,929	10,278
Total administrative and general expense	1,556,160	1,143,280
Depreciation	5,681,625	6,406,205
Total operating expenses	23,333,360	22,237,273
Operating (loss) income	(714,994)	(715,597)
Non-Operating Revenues (Expenses)		
Interest income	691,429	176,559
Rental income	121,949	134,929
Non-utility income	81,544	82,261
Gain on investments	35,716	-
(Loss) gain on disposal of assets	32,445	(7,361)
Debt issuance cost	9,433	(167,100)
Interest expense	(676,531)	(387,566)
Total non-operating revenues (expenses) - net	295,985	(168,278)

-continued-

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

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position
(Continued)

<i>For the years ended December 31,</i>	2023	2022
(Loss) income before capital contributions	(419,009)	(883,875)
Capital contributions	16,597,341	10,993,346
Change in net position	16,178,332	10,109,471
Total net position – beginning of year	164,211,124	154,101,653
Total net position – end of year	\$ 180,389,456	\$ 164,211,124

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

Warren County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2023	2022
Operating Activities		
Receipts from customers and users	\$ 22,947,058	\$ 21,338,018
Receipts from rental and non-utility income	239,209	217,190
Payments to suppliers for goods and services	(15,230,558)	(13,565,729)
Payments to employees	(2,099,842)	(1,825,611)
Net cash provided by operating activities	5,855,867	6,163,868
Noncapital Financing Activities		
Interest paid on customer deposits	(19,931)	(1,684)
Net cash (used in) noncapital financing activities	(19,931)	(1,684)
Capital and Related Financing Activities		
Proceeds from long-term debt	-	11,370,000
Principal repayment on long-term debt	(808,474)	(739,779)
Proceeds from sale of assets	5,738	15,798
Interest paid on long-term debt	(607,325)	(315,248)
Payment of debt issuance cost	-	(167,100)
Acquisition and construction of capital assets	(7,110,293)	(6,566,108)
Net cash (used in) provided by capital and related financing activities	(8,520,354)	3,597,563
Investing Activities		
Maturity of short-term investments	7,118,672	250,000
Purchase of short-term investments	(6,419,578)	(11,271,063)
Interest income	673,535	128,203
Net cash provided by (used in) investing activities	1,372,629	(10,892,860)
Net decrease in cash and cash equivalents	(1,311,789)	(1,133,113)
Balances – beginning of year	13,334,195	14,467,308
Balances – end of year	\$ 12,022,406	\$ 13,334,195

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

Warren County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2023	2022
Reconciliation of Operating (Loss) Income to Net Cash Provided By Operating Activities		
Operating (loss) income	\$ (714,994)	\$ (715,597)
Adjustments to reconcile net operating (loss) income to net cash provided by operating activities:		
Depreciation expense	5,916,676	6,602,313
Amortization of debt premium / discount	31,135	23,825
Rental and non-utility income	203,493	217,190
Loss (gain) on disposal of assets	(32,445)	7,361
Changes in assets and liabilities:		
Net decrease (increase) in accounts receivable	328,692	(183,658)
Net (increase) in other receivables	(1,163,457)	(107,209)
Net (increase) in prepaid expenses	(8,611)	(8,483)
Net (increase) in materials and supplies inventory	(1,195,368)	(528,705)
Net decrease in retirement security plan costs	161,405	161,404
Net decrease in other assets	25,193	29,714
Net increase in accounts payable	1,253,411	179,753
Net increase in accrued liabilities	445,294	34,347
Net (decrease) increase in contractor advances	(58,226)	84,817
Net increase in customer deposits	72,904	72,321
Net decrease in unamortized bond premium - net	(17,332)	(26,582)
Net increase in rebates payable	15,824	741,798
Net increase in other liabilities	516,273	473
Net increase (decrease) in other post employment benefit obligation	76,000	(421,214)
Net cash provided by operating activities	\$ 5,855,867	\$ 6,163,868
Non-Cash Capital and Financing Activities		
Contributed constructed water and sewer lines at cost	\$ 16,597,341	\$ 10,993,346
Total non-cash capital and financing activities	\$ 16,597,341	\$ 10,993,346

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Warren County Water District (“District”) is a tax-exempt division of Warren County, Kentucky organized under KRS 74.010. The District operates water and sewer services for the residents of Warren County, Kentucky and surrounding areas.

The District is governed by a five-member board of commissioners (the “Board”). The criteria for determining the District as a component unit of Warren County, Kentucky, the primary government, is financial accountability. In accordance with Section 2100; *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and it is able to impose its will on that organization. The commissioners of the Board are appointed by the Warren County Judge Executive. Warren County is able to impose its will on the District through the ability to remove appointed members of the Board at will.

Measuring Focus, Basis of Accounting, and Financial Statement Presentation

The District’s financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the District conform to applicable generally accepted accounting principles as defined in the pronouncements of GASB. The District’s basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity. The financial statements of the District include the accounts of the Water Division and the Sewer Division after elimination of all significant inter-division accounts and transactions.

The District operates as an enterprise activity, using the flow of economic resources measurement focus. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the enterprise fund’s principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and service, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

The District’s cash equivalents are considered to be liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of restricted and unrestricted cash and cash equivalents.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Customer accounts receivable result from unpaid billings for service to customers and from unpaid billings related to work performed or materials sold to certain entities. All customer accounts receivable are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the District is based on past history of uncollectible accounts and management's analysis of current accounts. Customer accounts receivable also contains an estimate of services rendered, but not yet billed as of the end of the year. The receivable is derived from the cycle billings generated subsequent to year end and prorated for usage in December.

Materials and Supplies

All materials and supplies inventories are valued using the weighted average cost method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Certain proceeds of the bond issues and certain resources set aside for their repayment along with reserves for depreciation of plant are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Investments

Investments consist primarily of non-participating non-negotiable certificates of deposit and are recorded at cost. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool, which are utilized by the District in limited smaller levels of investments.

Utility Plant

Utility plant, which include property, plant, equipment, and construction in progress, are recorded at historical cost or estimated historical cost if purchased, constructed, or contributed. Original cost includes materials, labor, transportation, and such other indirect costs as engineering, supervision, and employee fringe benefits.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during a construction period is recognized as an expense.

As property units are retired in the ordinary course of business, the cost of the property plus removal cost less salvage, is charged to accumulated depreciation. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Warren County Water District Notes to Financial Statements

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Utility Plant (Continued)

Buidlings & Improvements	35 - 37.5 years
Mains - Water Distribution	62.5 years
Mains - Sewer Collection	52.5 years
Meters	10 - 20 years
Service Lines	40 years
Storage Tanks	45 years
Trucks	7 years
Hydrants	50 years
Pumps	20 years
Furniture & Fixtues	22.5 years
Equipment	10 - 12.5 years

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The District has one item that qualifies for reporting as deferred outflows of resources, the deferred amount of prepayments to the District's retirement security plan. See retirement security plan note below.

Long Term Debt

Debt is a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the statement of net position. Accumulated sick leave lapses when employees leave the employment of the District and, accordingly upon separation from service, no monetary obligation exists.

Retirement Security Plan

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan ("RS Plan") administered by the National Rural Electric Cooperative Association ("NRECA"), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. Note 8 provides further detail on the RS Plan.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Security Plan (continued)

In prior years, the District was given the opportunity to lower the retirement age of their employees to sixty two. The cost of reducing the retirement age of the District's retirement plan has been recognized as a deferred outflow of resources and is being amortized using the straight-line method over a thirty-year period as allowed by the agreement with the retirement group.

In prior years, the District made a prepayment as a deferred outflow of resources of \$1,556,940 to the District's retirement plan in order to achieve a lower annual required contribution ("ARC") requirement along with making various modifications to the District's retirement plan. The payment will lower the ARC over a ten-year period ending in 2027; therefore, the payment will be amortized over a ten-year period as a component of the District's pension costs.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability and OPEB expense, information about the District's employees and contributions made have been determined on the same basis as they are reported to the District's actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Note 9 provides further detail on the total OPEB liability.

For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Rebates Payable

Rebates payable are amounts paid by contractors to improve property by adding water and/or sewer connections which are eligible to be refunded to the contractor either entirely or in part, dependent upon the number of future residents attaching to the water and/or sewer connections. Amounts not refunded are transferred to capital contributions after the ten-year eligibility period has lapsed or when it is highly unlikely that the rebate will be requested by contractors.

Bond Discount and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Unamortized amounts are reflected in the long term obligations in the financial statements.

Capital Contributions

The donor cost of contributed property and equipment is included in capital contributions. Contributions are recognized in the statements of revenues, expenses, and changes in net position when earned. Contributions may include connect fees; developer contributed utility systems; capital grants and other supplemental support by other utilities and industrial customers; and federal, state, and local grants in support of system improvements. Assets acquired through contributions from developers or other customers are capitalized at donor cost at the date of donations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This component of net position represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - The restricted component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets will be reduced by liabilities and deferred inflows of resources related to those assets in the determination of restricted net position. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Concentration of Credit Risk

The majority of the District's business activity is with customers located within Warren County, Kentucky. The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses are usually minimal and are generally within management's expectations.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation. There was no effect on the prior year change in net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 18, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In May 2020, the GASB issued GASB 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. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The implementation of this Statement was not significant to the District.

Recent Accounting Pronouncements Not Yet Adopted

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements Not Yet Adopted (continued)

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information 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 is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits and Certificates of Deposit

At December 31, 2023 and 2022 the District’s deposits and certificates of deposit consisted of the following:

<i>December 31,</i>	2023	2022
Cash and cash equivalents	\$ 6,775,441	\$ 9,274,111
Restricted cash and cash equivalents	5,246,965	4,051,364
Investments	3,761,351	250,000
Restricted investments	9,150,149	10,212,145
	\$ 24,933,906	\$ 23,787,620

The District maintains its deposits and certificates of deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2023 and 2022 the carrying amount of the District’s deposits and certificates of deposit totaled \$24,925,186 and \$23,787,620, respectively, and the bank balances totaled \$23,602,501 and \$24,307,759, respectively. Of the bank balances, \$23,602,501 and \$24,307,759, were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District’s name.

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 formal deposit policy for custodial credit risk requires deposits in banks which are in excess of the FDIC insurance coverage to be secured by the bank pledging securities in direct obligations of the United States of America or by approved security bonds. As of December 31, 2023 and 2022, none of the District’s deposits and certificates of deposit were exposed to custodial credit risk.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. However, the District’s bond agreement further limits its investment choices.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At December 31, 2023 and 2022, there are no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk

The District's investment policy limits investment maturities of less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value

GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2023:

**Warren County Water District
Notes to Financial Statements**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value (continued)

As of December 31, 2023	Level 1	Level 2	Level 3	Total
Restricted Investments				
United States Treasuries	\$ 2,410,151	\$ -	\$ -	\$ 2,410,151
Debt securities - US government obligations	-	7,082,172	-	7,082,172
Total restricted investments	\$ 2,410,151	\$ 7,082,172	\$ -	\$ 9,492,323

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2022:

As of December 31, 2022	Level 1	Level 2	Level 3	Total
Restricted Investments				
United States Treasuries	\$ 441,885	\$ -	\$ -	\$ 441,885
Debt securities - US government obligations	-	2,706,564	-	2,706,564
Total restricted investments	\$ 441,885	\$ 2,706,564	\$ -	\$ 3,148,449

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

Debt and equity securities – Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based on the price or yield of similar debt securities.

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments consisted of the following at December 31, 2023 and 2022:

<i>December 31,</i>	2023	2022
Construction funds	\$ 8,299,977	\$ 11,283,733
Sinking funds	1,207,229	1,461,672
Depreciation funds	3,179,786	3,031,431
Customer deposits	1,710,122	1,635,122
	\$ 14,397,114	\$ 17,411,958

**Warren County Water District
Notes to Financial Statements**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Restricted Cash and Cash Equivalents and Investments (continued)

The construction funds contain unspent debt proceeds which are available for paying the cost of construction of projects related to the District’s water and sewer system.

The sinking funds and debt service reserve funds are restricted to the payment of principal and interest on long-term debt.

The depreciation funds are restricted to payment for improvements and approved repairs.

The customer deposits fund is restricted to hold customer deposits until service is terminated.

NOTE 3: CUSTOMER ACCOUNTS RECEIVABLE

For the water and sewer systems, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to December 31, 2023 (unbilled receivable), is estimated and accrued at year end. If the District deems any amounts uncollectible an allowance for doubtful accounts is established. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

At December 31, 2023 and 2022, customer accounts receivable consist of the following:

<i>December 31,</i>	2023	2022
Billed	\$ 1,213,490	\$ 1,313,231
Unbilled	1,433,429	1,636,953
Total	2,646,919	2,950,184
Less allowance for uncollectibles	(476,497)	(451,070)
Customer accounts receivable - net	\$ 2,170,422	\$ 2,499,114

Warren County Water District
Notes to Financial Statements

NOTE 4: UTILITY PLANT

Utility plant activity for the year ended December 31, 2023 is as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Utility plant, not being depreciated				
Land and land rights	\$ 2,648,464	\$ -	\$ -	\$ 2,648,464
Construction in progress	5,993,016	18,351,698	10,687,348	13,657,366
Total utility plant, not being depreciated	8,641,480	18,351,698	10,687,348	16,305,830
Utility plant, being depreciated				
Buildings and improvements	23,336,158	1,646,888	-	24,983,046
Mains and pumping	150,678,916	9,921,063	2,021,048	158,578,931
Meters and hydrants	46,224,810	3,247,235	-	49,472,045
Office furniture and equipment	3,357,043	716,586	223,136	3,850,493
Equipment	3,304,837	472,127	389,178	3,387,786
Total utility plant, being depreciated	226,901,764	16,003,899	2,633,362	240,272,301
Less accumulated depreciation	72,539,688	5,916,676	2,633,318	75,823,046
Total utility plant, being depreciated, net	154,362,076	10,087,223	44	164,449,255
Total utility plant, net	\$ 163,003,556	\$ 28,438,921	\$ 10,687,392	\$ 180,755,085

Warren County Water District Notes to Financial Statements

NOTE 4: UTILITY PLANT (Continued)

Utility plant activity for the year ended December 31, 2022 is as follows:

Description	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
Utility plant, not being depreciated					
Land and land rights	\$ 1,393,954	\$ 1,254,510	\$ -	\$ -	\$ 2,648,464
Construction in progress	4,466,498	12,035,205	10,508,687	-	5,993,016
Total utility plant, not being depreciated	5,860,452	13,289,715	10,508,687	-	8,641,480
Utility plant, being depreciated					
Buildings and improvements	14,815,137	893,993	-	7,627,028	23,336,158
Mains and pumping	150,788,243	7,517,701	-	(7,627,028)	150,678,916
Meters and hydrants	40,365,233	5,922,734	63,157	-	46,224,810
Office furniture and equipment	3,205,671	151,372	-	-	3,357,043
Equipment	3,112,559	285,264	92,986	-	3,304,837
Total utility plant, being depreciated	212,286,843	14,771,064	156,143	-	226,901,764
Less accumulated depreciation	66,070,360	6,602,313	132,985	-	72,539,688
Total utility plant, being depreciated, net	146,216,483	8,168,751	23,158	-	154,362,076
Total utility plant, net	\$ 152,076,935	\$ 21,458,466	\$ 10,531,845	\$ -	\$ 163,003,556

NOTE 5: LONG-TERM DEBT

Long-term debt consists of the following:

<i>December 31,</i>	2023	2022
Revenue bonds, U.S. Department of Agriculture Series 2005A, with a 4.25% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2045.	\$ 928,000	\$ 954,000
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C11-02, with a 3.00% interest rate, payable monthly. Principal payments are due monthly until payoff June 1, 2033.	452,763	493,349
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2013B, with varying interest rates commencing at 2.30% and increasing to 3.30% over the life of the loan, payable semiannually. Principal payments are due annually every February 1, and vary until payoff on February 1, 2028.	625,000	775,000

**Warren County Water District
Notes to Financial Statements**

NOTE 5: LONG-TERM DEBT (CONTINUED)

<i>December 31,</i>	2023	2022
Refunding revenue bonds, Kentucky Rural Water Finance Corporation Series 2016B, with varying interest rates between 2.25% and 3.25% over the life of the loan, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2030.	1,250,000	1,415,000
Note payable/direct borrowing, Kentucky Infrastructure Association Loan B19-006, with a 2.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	1,770,415	1,849,233
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C19-002, with a 3.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	1,748,314	1,833,884
Revenue bonds, U.S. Department of Agriculture Series 2019, with a 2.375% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2060.	623,000	630,500
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2021A, with a 4.00% to 4.30% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2039.	2,440,000	2,695,000
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2022D, with a 3.50% interest rate, payable semiannually. Principal payment is due on August 1, 2024.	11,370,000	11,370,000
Total bonds and notes payable/direct borrowings	21,207,492	22,015,966
Less unamortized premium (discount) on bonds - net	131,718	149,050
Less current portion of bonds and notes payable	(12,200,312)	(808,476)
Net long-term debt	\$ 9,138,898	\$ 21,356,540

**Warren County Water District
Notes to Financial Statements**

NOTE 5: LONG-TERM DEBT (CONTINUED)

On June 8, 2021, the District issued \$2,930,000 in Refunding Revenue Bonds with an interest rate of 4.0 to 4.3 percent to refund \$400,000 of outstanding 1993 Series bonds with an interest rate of 4.5 percent, to refund \$530,000 of outstanding 2004 Series bonds with an interest rate of 4.3 and 4.5 percent, to refund \$1,380,000 of outstanding 2012 Series bonds with an interest rate of 3.2 to 4.2 percent, and to pay \$898,037 of an outstanding loan payable to the Kentucky Infrastructure Authority with an interest rate of 3.0 percent. The net proceeds of \$3,249,401, net of \$102,268 in underwriting fees, insurance, and other issuance costs. An additional \$211,326 of Series 1993, 2004, and 2012 sinking fund monies and original issuance premium of \$210,342 were used to refund the 1993, 2004, and 2012 Series bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$17,131. This difference is being charged to operations through the year 2048 using the effective-interest method. The District completed the refunding to reduce its total debt service payments over the next 18 years by \$457,120 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$339,362.

On October 27, 2022, the District issued \$11,370,000 in Revenue Bonds with an interest rate of 3.5 percent to finance extensions, additions, and improvements to the District’s water and sewer system.

The District has various financial and non-financial debt covenants and restrictions as set forth in the bond and loan agreements. Failure to fulfill any of the debt covenants and restrictions, or failure to cure any such failure within 30 days, constitute an event of default. In the event of default, the respective owners of the bonds may enforce and compel the duties and obligations set forth within the bond agreement.

The District’s outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the District is unable to make a payment at the times specified in the agreement.

Unamortized net premiums and (discounts) on the debt issuances totaled \$131,718 and \$149,050 as of December 31, 2023 and 2022, respectively. Related amortization income/(expenses) for the years ended December 31, 2023 and 2022 totaled \$17,332 and 23,825, respectively.

The following is a summary of long-term debt transactions for the year ended December 31, 2023:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 2005A	\$ 954,000	\$ -	\$ 26,000	\$ 928,000	\$ 27,000
KIA C11-02	493,349	-	40,586	452,763	41,822
KRWFC 2013B	775,000	-	150,000	625,000	155,000
KRWFC 2016B	1,415,000	-	165,000	1,250,000	165,000
KIA B19-006	1,833,884	-	85,570	1,748,314	87,290
KIA C19-002	1,849,233	-	78,818	1,770,415	81,200
USDA Series 2019	630,500	-	7,500	623,000	8,000
KRWFC 2021A	2,695,000	-	255,000	2,440,000	265,000
KRWFC 2022D	11,370,000	-	-	11,370,000	11,370,000
	<u>\$ 22,015,966</u>	<u>\$ -</u>	<u>\$ 808,474</u>	<u>\$ 21,207,492</u>	<u>\$ 12,200,312</u>

**Warren County Water District
Notes to Financial Statements**

NOTE 5: LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term debt transactions for the year ended December 31, 2022:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 2005A	\$ 954,000	\$ -	\$ -	\$ 954,000	\$ 26,000
KIA C11-02	532,738	-	39,389	493,349	40,587
KRWFC 2013B	920,000	-	145,000	775,000	150,000
KRWFC 2016B	1,575,000	-	160,000	1,415,000	165,000
KIA B19-006	1,917,768	-	83,884	1,833,884	85,571
KIA C19-002	1,925,739	-	76,506	1,849,233	78,818
USDA Series 2019	630,500	-	-	630,500	7,500
KRWFC 2021A	2,930,000	-	235,000	2,695,000	255,000
KRWFC 2022D	-	11,370,000	-	11,370,000	-
	<u>\$ 11,385,745</u>	<u>\$ 11,370,000</u>	<u>\$ 739,779</u>	<u>\$ 22,015,966</u>	<u>\$ 808,476</u>

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2023 are as follows:

Year(s)	Principal	Interest	Total
2024	\$ 12,200,312	\$ 676,612	\$ 12,876,924
2025	856,794	250,969	1,107,763
2026	713,922	224,879	938,801
2027	736,203	201,734	937,937
2028	644,141	179,752	823,893
2029-2033	2,667,971	637,186	3,305,157
2034-2038	1,978,794	342,577	2,321,371
2039-2043	907,355	120,794	1,028,149
2044-2048	201,000	45,679	246,679
2049-2053	110,000	29,403	139,403
2054-2058	132,500	15,052	147,552
2059-2060	58,500	1,283	59,783
Total	<u>\$ 21,207,492</u>	<u>\$ 2,725,920</u>	<u>\$ 23,933,412</u>

**Warren County Water District
Notes to Financial Statements**

NOTE 5: LONG-TERM DEBT (CONTINUED)

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$21,207,492 in water system long-term debt. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2060. The total principal and interest remaining to be paid on the bonds is \$23,933,412. Principal and interest paid for the current year and total customer net revenues were \$1,415,799 and \$22,618,366 respectively.

NOTE 6: RELATED PARTIES

The District provides management, engineering, and repair and maintenance services to both, the Butler County Water System and Simpson County Water District as defined in the “Joint Operations Agreement” dated February 14, 2019. In the ordinary course of business, the District has and expects to continue to have transactions with Butler County Water System and Simpson County Water District.

In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2023:

	Accounts Receivable	Accounts Payable
Butler County Water System	\$ 267,651	\$ 4,122
Simpson County Water District	\$ 188,258	\$ 13,300

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2022:

	Accounts Receivable	Accounts Payable
Butler County Water System	\$ 249,852	\$ 5,950
Simpson County Water District	\$ 197,276	\$ 6,215

Warren County Water District Notes to Financial Statements

NOTE 6: RELATED PARTIES (Continued)

For the year ended December 31, 2023, the District allocated expenses to related parties as follows:

Description	Butler County Water System	Simpson County Water District
Wages and benefits:		
Operation	\$ 536,477	\$ 254,688
Administrative:		
Supervision and administration	143,792	103,124
Accounting	48,203	34,570
Customer service	110,524	73,989
Engineering	12,827	28,296
Operations - other	341,277	224,545
Additions to plant	645,300	503,363
Special projects	4,412	18,211
Totals	\$ 1,842,812	\$ 1,240,786

For the year ended December 31, 2022, the District allocated expenses to related parties as follows:

Description	Butler County Water System	Simpson County Water District
Wages and benefits:		
Operation	\$ 529,539	\$ 268,334
Administrative:		
Supervision and administration	140,541	99,205
Accounting	45,464	32,092
Customer service	104,296	63,600
Engineering	8,597	22,889
Operations - other	286,210	184,179
Additions to plant	98,417	318,242
Special projects	19,938	60,504
Totals	\$ 1,233,002	\$ 1,049,045

NOTE 7: MAJOR SUPPLIER

The District purchases all water and sewer services from the Bowling Green Municipal Utilities ("BGMU"). The agreement was renewed on December 4, 2018 for an additional forty-five years. Any rate adjustments are approved by BGMU, the District, and the Kentucky Public Service Commission.

NOTE 8: EMPLOYEE RETIREMENT PLAN

Plan Description

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan (“RS Plan”) administered by the National Rural Electric Cooperative Association (“NRECA”), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78.

Financial Information

The RS Plan publishes a financial statement and a copy can be obtained by writing or calling the Plan Administrator, NRECA, PO Box 6007, Lincoln, NE, 68506; telephone number 866-NRECA99. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145; PN 333).

Benefits Provided

The District had 68 and 59 employees participating in the RS Plan on December 31, 2023 and 2022, respectively. Upon retirement at the normal age of sixty-two, the annual estimated benefit is calculated as: Benefit Level (1.6% eligible service years from January 1, 1976 to April 1, 1999, 1.85% for service years from April 1, 1999 to January 1, 2018, and 1% for service years after January 1, 2018) multiplied by the number of continuous years in the plan multiplied by the average of the highest five salary years. Other plans were in effect prior to January 1, 1976 and benefit calculations will vary in accordance with an employee's hire date. The District decreased the normal retirement age to sixty-two and increased the benefit level. The District's Board of Commissioners has the authority to amend certain terms of the RS Plan, including benefit levels provided for each year of service, normal retirement age, eligibility for participation, and required employee contributions to the plan. Other terms such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by the District. Each employer in the RS plan elects to participate in the plan.

Contribution Requirements

The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payrolls over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level). The District must contribute annually in accordance with the terms of the RS Plan. The District's Board of Commissioners may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. The District's contribution rate for Year 2023 was 12.75% and for Year 2022 was 12.83% of employees' base pay for those employees who have been employed with the District for over one year and have worked the number of hours to qualify.

The District can choose to withdraw from the RS Plan, subject to plan provisions that require the District to fully fund its share of the RS Plan liabilities before withdrawing.

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired District employees and their dependents under certain conditions. A summary of retiree medical, prescription drug and dental insurance benefits are in the District's Operating Policy NO. 109, paragraph J. This Operating Policy may be obtained by writing to Jacob Cuarta, General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided

Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement after reaching age 60 and meeting a combined age plus years of service of at least 75. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

Plan Membership

Plan membership consisted of the following:

<i>December 31,</i>	2023	2022
Inactive members currently receiving benefits	4	4
Active members	72	72
Total	76	76

Investment Policy

The District's obligation is unfunded at December 31, 2023 and 2022. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Contributions

The contribution requirements of retired employees are established and may be amended by the District's Board of Commissioners. If an employee retires at a minimum age of 60 and their age plus years of service equals 75, the District will pay 70 percent of the premium for employee and spouse coverage for a period not to exceed 5 years. All retirees and their spouses may be allowed to retain the coverage as set forth with 100 percent of the premium being paid by the retiree. For fiscal years 2023 and 2022 respectively, the District contributed \$40,572 and \$47,581 towards the healthcare plan.

2023 and 2022 Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022. For 2023 assumed actuarial assumptions are exactly realized. Updated procedures were used to roll forward the service cost and total OPEB liability to the December 31, 2023 measurement date. The following actuarial assumptions were applied to all periods in the measurement, unless otherwise specified:

**Warren County Water District
Notes to Financial Statements**

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

2023 and 2022 Actuarial Assumptions (continued)

Actuarial Cost Method	Alternative Measurement Method (AMM)
Measurement Date	December 31, 2022
Valuation Date	December 31, 2022
Reporting Date	December 31, 2022
Measurement Period	January 1, 2022 to December 31, 2022
Discount Rate	3.72%
As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 3.72% as of December 31, 2022.	
General Inflation	3.00%
Salary Increases	2.50%
Health Care Cost Trend Rates	4% - all years
Mortality	2020 United States Life Tables

This AMM valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 2.12% to 3.72%.

2023 and 2022 Discount Rate

The discount rate used to measure the OPEB liability was 3.72% for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate changed from the prior measurement date.

Total OPEB Liability

	As of December 31, 2022
Actuarial Present Value of Future Benefits	
Retired - Employees/Spouses	\$ 117,422
Actives - Employees/Spouses	2,015,496
Total	<u>\$ 2,132,918</u>
Total OPEB Liability	
Retired - Employees/Spouses	\$ 117,422
Actives - Employees/Spouses	945,806
Total	<u>\$ 1,063,228</u>

As of December 31, 2023 and 2022, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

**Warren County Water District
Notes to Financial Statements**

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the Total OPEB Liability

<i>December 31,</i>	2023	2022
Balance Forward - beginning of year	\$ 1,063,228	\$ 1,484,442
Changes for the year:		
Service cost	74,990	116,586
Interest in the total OPEB liability	41,582	33,438
Changes in benefits	-	-
Difference between expected and actual experience	-	(398,737)
Changes in assumptions	-	(124,920)
Benefit payments, including employee refunds	(40,572)	(47,581)
Net changes	76,000	(421,214)
Balance, end of year	\$ 1,139,228	\$ 1,063,228

OPEB Expense

	Year Ended December 31, 2023	Year Ended December 31, 2022
Service Cost	\$ 74,855	\$ 116,586
Interest on Total OPEB Liability	41,582	33,438
Effect of Plan Changes	-	-
Economic/Demographic (Gains)/Losses	-	(398,737)
Assumption Changes	-	(124,920)
OPEB Expense	\$ 116,437	\$ (373,633)

Expected Remaining Service Lives

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

However, if using AMM procedures, changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

**Warren County Water District
Notes to Financial Statements**

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

2023 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (2.72%) and 1-percentage-point higher (4.72%) than the current discount rate:

	1% Decrease (2.72%)	Current Discount Rate (3.72%)	1% Increase (4.72%)
District's total OPEB liability	\$ 1,141,179	\$ 1,139,228	\$ 1,059,158

2022 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (2.72%) and 1-percentage-point higher (4.72%) than the current discount rate:

	1% Decrease (2.72%)	Current Discount Rate (3.72%)	1% Increase (4.72%)
District's total OPEB liability	\$ 1,131,776	\$ 1,063,228	\$ 988,617

2023 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (3.00%) and 1-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
District's total OPEB liability	\$ 1,013,824	\$ 1,139,228	\$ 1,286,657

**Warren County Water District
Notes to Financial Statements**

NOTE 9: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

2022 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (3.00%) and 1-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
District's total OPEB liability	\$ 946,302	\$ 1,063,228	\$ 1,200,964

NOTE 10: OTHER EMPLOYEE BENEFITS

The District currently participates in 401(a) and 457(b) retirement plans through Transamerica Retirement Solutions Corporation. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to employees who have been employed for over one year and consists of a 3% contribution and a 100% matching contribution of up to 4% of the employee's base salary. For the year ended December 31, 2023 and 2022, respectively, the District contributed \$294,535 and \$238,026 to the 401(a) plan.

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2023 and 2022, the District's accrued compensated absences for annual leave totaled \$472,626 and \$461,179, respectively.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2023 and 2022, the District's accrued compensated absences for sick leave totaled \$48,139 and \$40,498, respectively.

NOTE 11: RISKS OF LOSS

The District's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

NOTE 12: COMMITMENTS

The District has entered into an agreement with an entity, which is a joint venture with the City of Bowling Green, KY (City) and Warren County, KY (County), to develop the water and sewer system for their plant with a grant received from the Kentucky Cabinet for Economic Development (“KCED”). To meet the requirements of the KCED, the District had to place a surety with KCED for \$615,000 until July 1, 2025, which equals the cost of the grant. In turn, the joint city-county development agrees to contribute the water and sewer improvements. If the entity does not meet the employment goals required by the grant agreement, the surety will be maintained by KCED, however if the employment goals are met the surety will be returned to the District.

The District has entered into a contract to extend water and sewer service and construct a 2-million-gallon elevated storage tank into the next phase of the joint City-County development which will be reimbursed by these entities. The anticipated expenditures for this contract is \$14,000,000. The total cost incurred as of December 31, 2023 is \$11,883,000. Costs related to the extension of the water and sewer service will be contributed by the City-County development upon the receipt of cost reimbursements. The District has entered into an additional agreement with the County and the City to pledge a percentage of future metered revenues generated from customers in this joint City-County development, which shall be paid to the City and County, annually.

The District has entered into a contract to extend water and sewer service into the 3rd phase of the joint City-County development as well as improve water and sewer accessibility to the Sunnyside-Gott area. The anticipated expenditures for this contract is \$66,000,000. \$46,000,000 is currently secured and the City-County development is seeking additional funding through the Kentucky Legislature to secure the remaining funding need. The City-County development will reimburse the District for all costs incurred. Design of the project is continuing and is being reimbursed through the \$46,000,000 secured fund. Through December 31, 2023, costs for design services of \$914,000 have been incurred and reimbursed by the City-County development. No construction activities will be undertaken until the additional funding is secured by the City-County development. The joint City-County development will reimburse these costs with funding appropriated by the Kentucky Legislature. The District has engaged a consultant to request a Declaratory Order from the Kentucky Public Service Commission to verify the project is administered correctly.

The District has committed to an upgrade of its system-wide SCADA (supervisory control and data acquisition) system. The system consists of RTU’s (remote terminal units) which provide telemetry, control, and alarming for 111 pump stations, storage tanks, and metering sites. The estimated cost of the project is \$3,108,800 and will be funded with a bank anticipation loan through Kentucky Rural Water Finance Corporation (KRWFC). Total cost incurred as of December 31, 2023, is approximately \$1,900,000.

In 2021 and 2022 the District received grants for water and wastewater system improvements from the Commonwealth of Kentucky through Kentucky’s Cleaner Water Program (CWP). Both grant awards are provided through the American Rescue Plan Act of 2021. The grants were awarded in two rounds CWP Round 1 and CWP Round 2. Grants awarded through CWP Round 1 total: \$2,440,372 and grants awarded through CWP Round 2 total: \$4,086,720. In addition, a grant was received directly from the County of Warren for water and wastewater system improvements in the amount of \$3,811,000. Through December 31, 2023, total costs incurred are approximately \$899,000.

The District has entered into a connection agreement with Warren County Public Schools (WCPS) to design and construct a sanitary sewer extension to serve a new elementary school currently under construction. Costs for the sewer extension will be paid by WCPS and reimbursed to the District. The current estimated cost of construction is \$1,112,000. Through December 31, 2023, total costs incurred are approximately \$10,000.

**Warren County Water District
Schedule of Employer Required Contributions**

RETIREMENT SECURITY PLAN

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 528,608	\$ 407,968	\$ 376,320	\$ 371,285	\$ 343,827	\$ 335,398	\$ 782,066	\$ 785,396	\$ 674,876	\$ 658,698

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

Warren County Water District Notes to the Schedule of Employer Required Contributions

The table below summarized the District's contribution rates, contractually required contribution amounts, and factors significantly affecting contribution rates for the RS Plan.

Year	Contribution Rate	Contribution Amount Required and Paid	Average Age	Factors Significantly Affecting Contribution Rate
2014	26.37%	\$ 658,698	44	Increase in the average age of District participants.
2015	25.89%	\$ 674,879	43	Decrease in the average age of District participants.
2016	27.17%	\$ 785,396	44	Increase in the average age of District participants and lower than assumed 7.75% expected annual return.
2017	27.55%	\$ 782,066	45	Increase in the average age of District participants.
2018	11.86%	\$ 335,398	45	Decrease in the contribution rate due to prepayment of unfunded balance and reduction of benefits.
2019	11.55%	\$ 343,827	43	Decrease in the average age of District participants.
2020	11.56%	\$ 371,285	42	Decrease in the average age of District participants.
2021	12.13%	\$ 376,320	43	Increase in the average age of District participants.
2022	12.83%	\$ 407,968	45	Increase in the average age of District participants.
2023	12.75%	\$ 528,608	43	Decrease in the average age of District participants.

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

Warren County Water District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 74,990	\$ 116,586	\$ 113,742	\$ 88,789	\$ 86,623	\$ 54,508
Interest	41,582	33,438	31,305	64,112	61,497	35,620
Changes of benefit terms	-	-	-	-	-	406,050
Difference between expected and actual experience	-	(398,737)	-	(209,922)	-	136,938
Changes of assumptions	-	(124,920)	-	9,064	-	(24,914)
Benefit payments	(40,572)	(47,581)	(47,085)	(81,011)	(91,962)	(73,479)
Net change in total OPEB liability	76,000	(421,214)	97,962	(128,968)	56,158	534,723
Total OPEB liability - beginning	1,063,228	1,484,442	1,386,480	1,515,448	1,459,290	924,567
Total OPEB liability - ending	\$ 1,139,228	\$ 1,063,228	\$ 1,484,442	\$ 1,386,480	\$ 1,515,448	\$ 1,459,290
Covered-employee payroll	\$ 4,794,062	\$ 4,677,134	\$ 4,007,172	\$ 3,909,436	\$ 3,409,453	\$ 3,326,296
District total OPEB liability as a percentage of covered-employee payroll	23.76%	22.73%	37.04%	35.46%	44.45%	43.87%

NOTE: GASB codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.

Warren County Water District Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Notes to Schedule

Changes of Benefit Terms

In 2018 there was a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change. There was no change in the benefit terms for 2019, 2020, 2021, 2022 or 2023.

Changes of Assumptions

In 2018, the discount rate was increased from 3.78% to 4.10%. There was no change in assumptions for 2019.

In 2020, the discount rate was decreased from 4.10% to 2.12%. Future health care cost trend rates were adjusted from 5% to 4%. There was no change in assumptions for 2021.

In 2022, the discount rate was increased from 2.12% to 3.72%. There was no change in assumptions for 2023

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2023

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Metered water revenue	\$ 15,463,100	\$ 16,173,100	\$ 15,925,793	\$ (247,307)
Metered sewer revenue	5,916,100	6,181,100	6,097,839	(83,261)
Forfeited discounts	313,500	284,500	292,126	7,626
Miscellaneous service revenue	275,300	304,300	301,408	(2,892)
Other water revenue	600	600	600	-
Other sewer revenue	600	600	600	-
Interest income	464,000	704,000	691,429	(12,571)
Rental income - utility property	159,000	127,000	121,949	(5,051)
Non-utility income - storm water	69,600	69,600	70,539	939
Total revenues	22,661,800	23,844,800	23,502,283	(342,517)
Expenses				
Salaries and wages	2,258,300	2,108,300	2,079,303	28,997
Commissioner fees	30,000	30,000	30,000	-
Fringe benefits	1,314,900	1,178,900	1,179,451	(551)
Purchased water	7,806,500	8,331,500	8,149,609	181,891
Sewage disposal	3,300,400	3,400,400	3,374,015	26,385
Purchased power	799,000	714,000	700,400	13,600
Chemicals	40,700	33,700	30,983	2,717
Materials and supplies	321,500	386,500	406,876	(20,376)
Contractual services - accounting	28,200	31,200	28,534	2,666
Contractual services - legal	34,900	44,900	22,058	22,842
Contractual services - other	913,600	963,600	999,547	(35,947)
Rental of building / property	106,200	97,200	57,450	39,750
Equipment expense	318,800	321,300	334,501	(13,201)
Insurance - general liability	67,200	75,200	88,079	(12,879)
Insurance - other	13,000	11,500	5,388	6,112
Regulatory expense	29,300	27,300	28,986	(1,686)
Bad debt expense	28,500	41,500	25,423	16,077
Miscellaneous expense	35,600	55,600	73,284	(17,684)
Total expenses	17,446,600	17,852,600	17,613,887	238,713

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2023

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Other (Revenues) and Expenses				
Depreciation	5,345,300	5,795,300	5,681,625	113,675
Miscellaneous non-operating income	(10,000)	(10,000)	(11,005)	1,005
Gain on Investments	-	-	(35,716)	35,716
Interest expense	743,400	693,400	676,531	16,869
Unamortized debt expense	4,100	4,100	(9,433)	13,533
Disposition (gain) loss	-	(32,500)	(32,445)	(55)
OPEB expense	61,100	41,600	37,848	3,752
Total other (revenues) expenses	6,143,900	6,491,900	6,307,405	184,495
Total expenses	23,590,500	24,344,500	23,921,292	423,208
Income (loss) before capital contributions	(928,700)	(499,700)	(419,009)	80,691
Capital contributions	29,446,924	20,775,724	16,597,341	(4,178,383)
Change in net position	\$ 28,518,224	\$ 20,276,024	\$ 16,178,332	\$ (4,097,692)

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 2,105,384	\$ 4,670,057	\$ -	\$ 6,775,441
Accounts receivable:				
Customer accounts receivable, net of allowance for uncollectibles	1,492,638	677,784	-	2,170,422
Accounts receivable – Butler County Water System	137,963	-	-	137,963
Accounts receivable – Simpson County Water District	96,737	597	-	97,334
Accounts receivable – Water Division	-	621,827	(621,827)	-
Accounts receivable – Sewer Division	248,631	-	(248,631)	-
Other accounts receivable	1,769,462	175,712	-	1,945,174
Interest receivable	22,678	51,230	-	73,908
Materials and supplies inventory	2,716,268	-	-	2,716,268
Prepaid expenses	96,327	15,669	-	111,996
Total current assets	8,686,088	6,212,876	(870,458)	14,028,506
Non-current assets				
Utility Plant				
Utility plant in service	155,675,954	87,244,811	-	242,920,765
Construction in progress	11,862,886	1,794,480	-	13,657,366
Less accumulated depreciation	(55,427,824)	(20,395,222)	-	(75,823,046)
Total utility plant, net	112,111,016	68,644,069	-	180,755,085

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Non-current assets				
Right-to-use lease asset	32,163	-	-	32,163
Restricted cash and equivalents	3,121,758	2,125,207	-	5,246,965
Restricted investments	2,968,329	6,181,820	-	9,150,149
Investments	38,494	3,722,857	-	3,761,351
Accounts receivable:				
Accounts receivable – Butler County Water System	129,688	-	-	129,688
Accounts receivable – Simpson County Water District	90,924	-	-	90,924
Accounts receivable – Sewer Division	163,585	-	(163,585)	-
Other assets	109,924	11,756	-	121,680
Total non-current assets	118,765,881	80,685,709	(163,585)	199,288,005
Total assets	127,451,969	86,898,585	(1,034,043)	213,316,511
Deferred outflows of resources				
Deferred outflows related to retirement security plan	652,744	-	-	652,744
Total deferred outflows of resources	652,744	-	-	652,744

Warren County Water District Statement of Net Position by Division

<i>December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Liabilities				
Current liabilities				
Accounts payable	3,189,388	299,209	-	3,488,597
Accounts payable – Butler County Water System	4,122	-	-	4,122
Accounts payable – Simpson County Water District	13,300	-	-	13,300
Accounts payable – Water Division	-	412,216	(412,216)	-
Accounts payable – Sewer Division	621,827	-	(621,827)	-
Accrued expenses	1,251,113	256,654	-	1,507,767
Contractor advances for construction	51,477	63,725	-	115,202
Lease liability	32,163	-	-	32,163
Current portion of long-term debt	4,169,900	8,030,412	-	12,200,312
Total current liabilities	9,333,290	9,062,216	(1,034,043)	17,361,463
Non-current liabilities				
Long-term Obligations				
Bonds and loans payable	928,000	623,000	-	1,551,000
Notes payable	8,589,566	11,066,926	-	19,656,492
Less: Net unamortized bond premium (discount)	63,723	67,995	-	131,718
Less: Current portion of long-term debt	(4,169,900)	(8,030,412)	-	(12,200,312)
Net long-term obligations	5,411,389	3,727,509	-	9,138,898
Customer meter deposits	1,254,829	419,272	-	1,674,101
Rebates payable	2,145,207	1,527,790	-	3,672,997
Unearned revenue for cellular leases	593,112	-	-	593,112
Other post employment benefit obligation	1,139,228	-	-	1,139,228
Total non-current liabilities	10,543,765	5,674,571	-	16,218,336
Total liabilities	19,877,055	14,736,787	(1,034,043)	33,579,799

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Net Position				
Net investment in capital assets	104,226,688	64,104,755	-	168,331,443
Restricted for depreciation reserves	2,823,920	355,866	-	3,179,786
Restricted for KCED Agreement	356,862	292,433	-	649,295
Unrestricted	820,188	7,408,744	-	8,228,932
Total net position	\$ 108,227,658	\$ 72,161,798	\$ -	\$ 180,389,456

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Revenues				
Metered sales				
Residential	\$ 10,017,937	\$ 2,588,134	\$ -	\$ 12,606,071
Industrial	2,971,463	2,690,800	-	5,662,263
Commercial	2,936,393	818,905	-	3,755,298
Total metered sales	15,925,793	6,097,839	-	22,023,632
Forfeited discounts	207,919	84,207	-	292,126
Miscellaneous service revenue	268,138	34,470	-	302,608
Total operating revenues	16,401,850	6,216,516	-	22,618,366
Operating Expenses				
Source of supply expense				
Purchased water	8,149,609	-	-	8,149,609
Sewage disposal	-	3,374,015	-	3,374,015
Total source of supply expense	8,149,609	3,374,015	-	11,523,624
Pumping plant expense				
Power purchased	529,992	157,890	-	687,882
Chemicals	81	30,983	-	31,064
Contractual services	3,634	3,500	-	7,134
Rental expense	4,924	-	-	4,924
Insurance	11,569	5,742	-	17,311
Total pumping plant expense	550,200	198,115	-	748,315

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Expenses (Continued)				
Transmission and distribution expense				
Salaries and benefits	1,176,068	213,848	-	1,389,916
Power purchased	12,518	-	-	12,518
Contractual services	232,826	99,295	-	332,121
Rental expense	18,877	-	-	18,877
Transportation	207,279	37,375	-	244,654
Insurance	49,168	3,344	-	52,512
Materials and supplies	298,650	52,128	-	350,778
Total transmission and distribution expense	1,995,386	405,990	-	2,401,376
Customer accounts expense				
Salaries and benefits	826,960	133,173	-	960,133
Contractual services	228,495	67,308	-	295,803
(Recovery) uncollectible accounts - net	20,960	4,463	-	25,423
Rental expense	28,725	-	-	28,725
Transportation	79,805	32	-	79,837
Insurance	5,784	3,344	-	9,128
Miscellaneous	5,243	-	-	5,243
Materials and supplies	17,514	454	-	17,968
Total customer accounts expense	1,213,486	208,774	-	1,422,260

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Administrative and general expense				
Salaries and benefits	787,763	158,790	-	946,553
Office supplies	31,108	7,022	-	38,130
Commissioner fees	15,000	15,000	-	30,000
Contractual services	339,370	75,711	-	415,081
Insurance	8,627	5,889	-	14,516
Rental expense	4,924	-	-	4,924
Regulatory commission expense	20,980	8,006	-	28,986
Miscellaneous	50,261	17,780	-	68,041
Transportation	9,716	213	-	9,929
Total administrative and general expense	1,267,749	288,411	-	1,556,160
Depreciation	3,763,349	1,918,276	-	5,681,625
Total operating expenses	16,939,779	6,393,581	-	23,333,360
Operating loss	(537,929)	(177,065)	-	(714,994)
Non-Operating Revenues (Expenses)				
Interest income	259,071	432,358	-	691,429
Rental expense	136,825	(14,876)	-	121,949
Non-utility income	81,540	4	-	81,544
Gain (loss) on investments	(3,996)	39,712	-	35,716
Loss on disposal of assets	32,445	-	-	32,445
Debt issuance cost	2,384	7,049	-	9,433
Interest expense	(304,961)	(371,570)	-	(676,531)
Total non-operating revenues (expenses) - net	203,308	92,677	-	295,985

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2023</i>	Water Division	Sewer Division	Eliminating Entries	Total
Loss before capital contributions	(334,621)	(84,388)	-	(419,009)
Capital contributions	11,933,972	4,663,369	-	16,597,341
Change in net position	11,599,351	4,578,981	-	16,178,332
Total net position – beginning of year	96,628,307	67,582,817	-	164,211,124
Total net position – end of year	\$ 108,227,658	\$ 72,161,798	\$ -	\$ 180,389,456



REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS



**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**

Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Warren County Water District (the "District"), a component unit of Warren County, Kentucky, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 18, 2024



THOUGHT LEADERSHIP



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CRI's CEO ACTION FOR DIVERSITY AND INCLUSION

Carr, Riggs & Ingram is committed to fostering an inclusive and diverse place for all employees to work in and engage. When our managing partner and chairman, Bill Carr, signed the CEO Action for Diversity & Inclusion™ pledge, he made a public commitment to building a productive, diverse, and inclusive workplace. [Learn more about CRI's commitment to Diversity and Inclusion.](#)