

**JONATHAN CREEK WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**JONATHAN CREEK WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	1 - 3
Management’s Discussion and Analysis (Unaudited).....	4 - 8
Basic Financial Statements	
Statement of Net Position.....	9
Statement of Revenues, Expenses and Changes in Net Position.....	10
Statement of Cash Flows.....	11
Notes to the Financial Statements.....	12 - 29
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	30
County Employees Retirement System:	
Schedule of the Proportionate Share of the Net Pension Liability.....	31
Schedule of Pension Contributions .....	32
Schedule of Changes in Benefits and Assumptions Pension .....	33 - 34
Schedule of the Proportionate Share of the Net OPEB Liability.....	35
Schedule of OPEB Contributions .....	36
Schedule of Changes in Benefits and Assumptions OPEB .....	37 - 38
Other Information	
Detail Schedule of Operating Expenses .....	39
Compliance and Internal Control Section:	
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> .....	40 - 41
Schedule of Findings and Responses.....	42
Schedule of Prior Year Findings and Responses.....	43

**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

---

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Jonathan Creek Water District  
Benton, Kentucky

**Opinions**

We have audited the accompanying financial statements of the business-type activities of the Jonathan Creek Water District 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 as listed in the table of contents.

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

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Jonathan Creek Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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 the 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 Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. 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 GAAS 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 Jonathan Creek Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting, estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Jonathan Creek Water District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of pension contributions, schedule of other postemployment benefits contributions, schedule of proportionate share of net pension liability, and schedule of proportionate share of other postemployment benefits liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Management is responsible for the other information included in the annual report. The other information is comprised of the detailed schedule of operating expenses but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 5, 2024, on our consideration of the Jonathan Creek Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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.

Handwritten signature of Jessica K Dail CPA PSC in black ink.

Eddyville, Kentucky  
July 5, 2024

**JONATHAN CREEK WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023  
(UNAUDITED)**

The Jonathan Creek Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the years ended December 31, 2023. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

**FINANCIAL HIGHLIGHTS**

- The District's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of December 31, 2023, by \$3,667,048 (Net Position).
- The District's total net position increased by \$205,591 during the year compared to a \$339,764 increase in the prior year.
- The District's operating revenues increased by \$90,898 over the prior year from \$1,065,544 to \$1,156,442.
- The District's operating expenses increased by \$79,737 over the prior year from \$991,711 to \$1,071,448.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Jonathan Creek Water District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements.

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

**Statement of net position.** The statement of net position presents the financial position of the District. It presents information on the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on page 9 of this report.

**Statement of revenues, expenses and changes in net position.** The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The statement of revenues, expenses and changes in net position is on page 10 of this report.

**Statement of cash flows.** The statement of cash flows presents information on the effects the changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 12-29 of this report.

**Required Supplementary Information.** In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 30-38.

## OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,667,048 as of December 31, 2023.

The District's overall financial position and operations for the past two years are summarized as follows:

### JONATHAN CREEK WATER DISTRICT'S NET POSITION

<b>Assets</b>	2023	2022
Current and other assets	\$ 380,367	\$ 404,679
Capital assets	4,404,257	4,284,919
Other assets	15,423	-
Total Assets	4,800,047	4,689,598
<b>Deferred Outflows of Resources</b>	152,693	188,315
<b>Liabilities</b>		
Other liabilities	156,432	138,284
Current portion of long-term debt	70,107	147,895
Long-term liabilities	724,944	1,011,963
Total Liabilities	951,483	1,298,142
<b>Deferred Inflows of Resources</b>	334,209	118,314
<b>Net Position</b>		
Net investment in capital assets	4,325,994	4,137,024
Restricted	80,076	68,711
Unrestricted	(739,022)	(744,278)
Total Net Position	\$ 3,667,048	\$ 3,461,457

The District's investments in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure), less any debt used to acquire those assets that is still outstanding is \$4,325,994. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's unrestricted net assets as of December 31, 2023 is a deficit of \$739,022.

**Analysis of the District's Operations** – Overall the District had an increase in net position of \$205,591.

The following table provides a summary of the District's operations for the year ended December 31, 2023 and 2022.

**JONATHAN CREEK WATER DISTRICT  
CHANGES IN NET POSITION**

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Operating revenues	\$ 1,157,781	\$ 1,065,544
Investment income	462	450
Proceeds from insurance	47,029	-
Gain (loss) on sale of assets	10,000	-
Capital grants and contributions	<u>72,717</u>	<u>269,613</u>
Total revenues	<u>1,287,989</u>	<u>1,335,607</u>
<b>Expenses</b>		
Transmission and distribution expenses	393,231	357,472
Administrative and general expenses	298,068	291,122
Depreciation	176,471	161,927
Pumping expenses	139,999	141,431
Water treatment expenses	28,692	23,092
Payroll and other taxes	34,987	16,667
Interest expenses	<u>10,950</u>	<u>4,132</u>
Total Expenses	<u>1,082,398</u>	<u>995,843</u>
<b>Change in net position</b>	205,591	339,764
<b>Net position - January 1</b>	<u>3,461,457</u>	<u>3,121,693</u>
<b>Net position - December 31</b>	<u>\$ 3,667,048</u>	<u>\$ 3,461,457</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget passed by the board anticipated an increase in the fund balance of \$347,648. The final budget, that was amended for operating revenues, anticipated an increase in fund balance of \$336,857. The actual operating revenue received exceeded budgeted revenue by \$17,105. Actual expenditures exceeded budgeted expenditures by \$245,547. The budgetary figures and actual amounts are reported in the supplementary information on page 30.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets for business-type activities as of December 31, 2023, amounts to \$4,404,257 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants and facilities, machinery and equipment, and infrastructure.

	2023	2022
<b>Business-type activities</b>		
Capital assets, not being depreciated		
Land	\$ 212,170	\$ 212,170
Construction in progress	<u>71,261</u>	<u>105,146</u>
Total capital assets, not being depreciated	<u>283,431</u>	<u>317,316</u>
Capital assets, being depreciated		
Transmission and distribution	3,029,171	2,982,847
Distribution reservoirs	54,359	57,964
Transportation equipment	118,348	13,400
Land rights	44	44
Commercial equipment	9,272	18,544
Hydrants	979	1,193
Meters and meter installations	419,213	370,263
Pumping equipment	123,421	114,631
Water treatment equipment	9,616	11,632
Tools and shop equipment	2,532	2,572
Office furniture and equipment	601	684
Miscellaneous equipment	7,143	9,321
Power equipment	208,859	242,589
Structures and improvements	24,037	25,077
Wells and springs	98,290	101,404
Services	<u>14,941</u>	<u>15,441</u>
Total capital assets, being depreciated	<u>4,120,826</u>	<u>3,967,606</u>
Business-type activities capital assets, net	<u>\$ 4,404,257</u>	<u>\$ 4,284,922</u>

During the year ended December 31, 2023, the District placed in service assets totaling \$329,692. This included \$127,480 in new lines and replacements lines, \$118,926 for transportation vehicles, \$63,085 in new meters, and \$20,200 for new pumps. The District also reported \$71,261 as construction in progress for new lines and replacement lines, of which \$43,436 was contributed by Marshall County Fiscal Court.

Additional information on the District's capital assets can be found in Note 8 of this report.

**Long-term and other debt**

On September 7, 2023, the District borrowed \$20,995 from Community Financial Services Bank to purchase a 2023 Dodge Ram. At the end of the current year, the Jonathan Creek Water District had total debt of \$78,263. Long-term debt at December 31, 2023, was as follows:

	<u>2023</u>	<u>2022</u>
<b><u>Line of Credit</u></b>		
CFSB Line of Credit	\$ 59,763	\$ 147,895
<b><u>Notes Payable</u></b>		
CFSB Loan	<u>18,500</u>	<u>-</u>
Total Debt	<u>\$ 78,263</u>	<u>\$ 147,895</u>

Interest expense of \$10,950 was incurred during the year ended December 31, 2023.

Additional information on the District’s long-term debt can be found in Note 9 of this report.

**REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the Jonathan Creek Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to David Lovett, Superintendent, Jonathan Creek Water District, 7564 US Highway 68 E, Benton, Kentucky 42025.

**Jonathan Creek Water District**  
**Statement of Net Position**  
**December 31, 2023**

**Assets**

**Current Assets**

Cash equivalents	\$ 43,127
Customer accounts receivable (less allowance for uncollectible accounts of \$9,520)	61,457
Unbilled revenue	84,734
Inventory	81,889
Prepayments	29,084
Restricted assets	
Cash equivalents	<u>80,076</u>
Total Current Assets	<u>380,367</u>

**Noncurrent Assets**

Capital assets, net of depreciation	4,404,257
Net other postemployment benefit liability	<u>15,423</u>
Total Noncurrent Assets	<u>4,419,680</u>
Total Assets	<u>4,800,047</u>

**Deferred Outflows of Resources**

Related to pensions	95,018
Related to other postemployment benefits	<u>57,675</u>
Total Deferred Outflows of Resources	<u>152,693</u>
Total Assets and Deferred Outflows of Resources	<u>4,952,740</u>

**Liabilities**

**Current Liabilities**

Accounts payable	37,530
Accrued liabilities	30,023
Customers' deposits	88,879
Line of credit	59,763
Long-term debt due in one year	<u>10,344</u>
Total Current Liabilities	<u>226,539</u>

**Noncurrent Liabilities**

Long-term debt	8,156
Net pension liability	<u>716,788</u>
Total Noncurrent Liabilities	<u>724,944</u>
Total Liabilities	<u>951,483</u>

**Deferred Inflows of Resources**

Related to pensions	77,420
Related to other postemployment benefits	<u>256,789</u>
Total Deferred Inflows of Resources	<u>334,209</u>

**Net Position**

Net investment in capital assets	4,325,994
Restricted for	
Customer deposits	80,076
Unrestricted	<u>(739,022)</u>
Total Net Position	<u>\$ 3,667,048</u>

See accompanying notes to financial statements.

**Jonathan Creek Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2023**

**Operating Revenue**

Water revenues	\$ 1,156,442
Other	<u>1,339</u>
Total Operating Revenues	<u>1,157,781</u>

**Operating Expenses**

Transmission and distribution expenses	393,231
Administrative and general expenses	298,068
Depreciation	176,471
Pumping expenses	139,999
Payroll and other taxes	34,987
Water treatment expenses	<u>28,692</u>
Total Operating Expenses	<u>1,071,448</u>

**Operating Income (Loss)**

86,333

**Nonoperating Revenues (Expenses)**

Insurance proceeds	47,029
Gain on sale of assets	10,000
Investment income	462
Interest on debt	<u>(10,950)</u>
Total Nonoperating Revenue (Expenses)	<u>46,541</u>

**Net Income Before Capital Contributions**

132,874

**Capital Contributions**

Fiscal Court funds	43,436
Tap-on fees	<u>29,281</u>
Total Capital Contributions	<u>72,717</u>

**Change in Net Position**

205,591

**Net Position-Beginning of Year**

3,461,457

**Net Position-End of Year**

\$ 3,667,048

**Jonathan Creek Water District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

**Cash Flows from Operating Activities**

Cash received from customers	\$ 1,155,462
Cash payments to suppliers for goods and services	(617,978)
Cash payments to employees for services	<u>(500,213)</u>
Net Cash Provided By Operating Activities	<u>37,271</u>

**Cash Flows From Capital and Related Financing Activities**

Contributed capital	72,717
Insurance proceeds	47,029
Proceeds from capital debt	20,995
Gain from disposal of assets	10,000
Interest paid on debt	(10,950)
Principal paid on capital debt	(90,627)
Acquisition of property, plant, and equipment	<u>(105,111)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(55,947)</u>

**Cash Flows From Investing Activities**

Income received on investments	<u>462</u>
Net Cash Provided By Investing Activities	<u>462</u>

**Net Increase (Decrease) in Cash Equivalents** (18,214)

**Cash Equivalents-Beginning of Year** 141,417

**Cash Equivalents-End of Year** \$ 123,203

**Reconciliation of Operating Income to Net Cash Provided**  
**By Operating Activities**

Operating Income (Loss)	\$ 86,333
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	176,471
Change in assets and liabilities	
Accounts receivable	(7,971)
Inventory	16,042
Prepayments	(1,973)
Deferred outflows of resources	35,688
Accounts payable	(180,080)
Customer deposits	5,652
Accrued liabilities	1,812
Deferred pension and OPEB liabilities	(310,598)
Deferred inflows of pensions	<u>215,895</u>
Net Cash Provided By Operating Activities	<u>\$ 37,271</u>

**Reconciliation of Total Cash**

Current Assets - Cash	\$ 43,127
Restricted Assets - Cash	<u>80,076</u>
Total Cash	<u>\$ 123,203</u>

**Non-cash Investing, Capital and Related Financing Activities - None**

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Jonathan Creek Water District, (the District), was organized to provide water service to the residents of Benton, Kentucky and the surrounding areas. The District is supported by funds derived from the sale of water and is governed by a five member Board, appointed by the County Judge of Marshall County. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky.

The accounting and reporting policies of the District relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards board (when applicable). The District follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the District are described below:

**Principles Determining Scope of Reporting Entity**

The District's financial report includes only the funds of the District. The District has no oversight responsibility for any other governmental entity and is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board pronouncement.

**Basis of Presentation**

The accounts of the District are organized in accordance with the uniform system of accounts adopted by the Public Service Commission of Kentucky. Those accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The operations of each fund are summarized by providing a separate set of self balancing accounts which include its assets, liabilities, net position, revenues and expenses. The following funds are used by the District:

*Proprietary Fund Types*

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting and financial statements for a proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

**Reclassifications**

Prior period financial statement amounts have been reclassified to conform to current period presentation. Operating income and net earnings for the prior period were not impacted by the reclassifications.

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**Sales of Water**

Charges to customers for the sale of water are based on rates approved by the Kentucky Public Service Commission (PSC).

**Budget**

The District is required to follow budgetary guidelines established by the Public Service Commission and the Department of Rural Development. Those guidelines require:

- 1) The District to submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2023, the District has complied with budgetary guidelines.

**Cash Equivalents/ Investments**

Cash and cash equivalents are deposited with Community Financial Services Bank. District ordinances authorize the District to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, repurchase agreements, and demand deposits. All investments must be purchased through brokers/dealers or deposited with local financial institutions.

For the purpose of the statement of cash flows, the District considers all cash in banks and certificates of deposit with stated maturities of three months or less or available for withdrawal by management to be cash and cash equivalents.

**Accounts Receivable**

The District uses an allowance of uncollectible accounts method to account for bad debts. Accounts receivable is shown net of this allowance. The allowance is based on past history and management's analysis of the current accounts.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2023 are recorded as prepaid items.

**Capital Assets**

Capital assets are stated at original cost as defined for regulatory purposes. The costs of additions to capital assets and replacement of retirement units are capitalized. Replacement of minor items of property is charged to expense as incurred. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant betterments are capitalized.

Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as income when they are received. Depreciation on contributed assets is recorded as an expense in the statement of revenue and expense. Capital assets are depreciated over the following useful lives:

Utility plant	20 to 62.50 years
Equipment	5 to 13 years

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**Unearned Revenue**

The District recognizes certain revenue transactions as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available.

**Inventory**

Inventories are generally used for repair and replacement of infrastructure and connection of new services and are stated at average cost.

**Use of Restricted Funds**

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

**Estimates**

The preparation of the District's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2023, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

**Pensions and Other Postemployment Benefits**

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

**Net Position**

In the financial statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."



**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in the category, deferred charges - pension, and deferred charges - other postemployment benefits (OPEB).

The deferred related pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and OPEB and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items reported in this category, inflows related to the District's pension and OPEB plans that qualify for reporting in this category - deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

**Recent Accounting Pronouncements**

As of December 31, 2023, the GASB has issued the following statements required to be adopted by the District.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). There was no effect on the District's current financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. This Statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. There was no effect on the District's current financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The requirements of this Statement are effective for periods beginning after June 15, 2022 and June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. There was no effect on the District's current financial statements.

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**Recent Accounting Pronouncements**

As of December 31, 2023, the GASB has issued the following pronouncements not yet required to be adopted by the District.

GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, was issued in June 2022. The requirements of this Statement are effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The District's management has not determined the effect, if any, this will have on the District's financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. 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 District's management has not determined the effect, if any, this will have on the District's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued December 2023. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The District's management has not determined the effect, if any, this will have on the District's financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued April 2024. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The District's management has not determined the effect this will have on the District's financial statements.

**Subsequent Events**

The District has evaluated subsequent events through July 5, 2024, the date which the financial statements were available to be issued.

**2. LEGAL COMPLIANCE**

**Deficit Net Position**

There was not a deficit net position for the year ended December 31, 2023.

**Budgets**

**Excess of Expenditures Over Appropriations**

The District has an excess of actual expenditures over budget for the year ended December 31, 2023 of \$245,547. This excess was due to under budgeted transmission and distribution expenses and depreciation expenses.

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**3. DEPOSITS AND INVESTMENTS**

**A. Net Position**

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	Deposits	Investments	Total
Cash equivalents	\$ 43,127	\$ -	\$ 43,127
Restricted assets			
Cash equivalents	80,076	-	80,076
Total	\$ 123,203	\$ -	\$ 123,203

**B. Deposits**

At year-end, the carrying amount of the District's deposits in financial institutions were \$123,203, and the bank balances were \$166,362. The bank balances totaling \$166,362 were covered by federal depository insurance.

**4. RESTRICTED NET POSITION**

The District has restricted assets totaling \$80,076. These assets are restricted meter deposits. They are released from restriction when applied to the customers final bill.

**5. CONTINGENCIES**

The District participates in federal and state assisted grant programs for construction of water lines. These programs are subject to review by grantors or their representatives. As of December 31, 2023, there have been no material questioned or disallowed costs as a result of grant audits. As construction is completed, amounts due from grant funds are recognized and are recorded as revenue.

**6. PUBLIC SERVICE COMMISSION REGULATIONS**

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. The District has also filed the 2023 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

**7. ECONOMIC DEPENDENCIES**

The majority of the District's revenue consists of charges for water-related services to customers in Jonathan Creek, Kentucky. For the year ended December 31, 2023, the revenues from these sources totaled \$1,156,442. The District also receives monies from the United States Department of Agriculture and the Kentucky Infrastructure Authority whenever funds are available.

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**8. CAPITAL ASSETS**

A summary of proprietary fund property, plant, and equipment at December 31, 2023 for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
<u>Capital assets, not being depreciated</u>				
Land	\$ 212,170	\$ -	\$ -	\$ 212,170
Construction in progress	<u>105,146</u>	<u>61,352</u>	<u>(95,237)</u>	<u>71,261</u>
Total capital assets, not being depreciated	<u>317,316</u>	<u>61,352</u>	<u>(95,237)</u>	<u>283,431</u>
<u>Capital assets, being depreciated</u>				
Transmission and distribution	5,382,915	127,480	-	5,510,395
Distribution reservoirs	700,034	-	-	700,034
Transportation equipment	125,836	118,926	-	244,762
Land rights	6,225	-	-	6,225
Commercial equipment	108,403	-	(15,683)	92,720
Hydrants	83,165	-	-	83,165
Meters and meter installation	756,558	63,085	-	819,643
Pumping equipment	376,304	20,200	-	396,504
Water treatment equipment	389,268	-	-	389,268
Tools and shop equipment	24,886	-	-	24,886
Office furniture and equipment	33,402	-	-	33,402
Miscellaneous equipment	193,929	-	-	193,929
Power equipment	468,422	-	-	468,422
Communication equipment	1,958	-	-	1,958
Structures and improvements	43,486	-	-	43,486
Wells and springs	170,646	-	-	170,646
Organization	5,702	-	-	5,702
Services	<u>75,751</u>	<u>-</u>	<u>-</u>	<u>75,751</u>
Total capital assets, being depreciated	<u>8,946,890</u>	<u>329,691</u>	<u>(15,683)</u>	<u>9,260,898</u>
<u>Less accumulated depreciation for</u>				
Transmission and distribution	(2,400,068)	(81,157)	-	(2,481,225)
Distribution reservoirs	(642,071)	(3,605)	-	(645,676)
Transportation equipment	(112,436)	(13,978)	-	(126,414)
Land rights	(6,181)	-	-	(6,181)
Commercial equipment	(89,859)	(9,272)	15,683	(83,448)
Hydrants	(81,973)	(214)	-	(82,187)
Meters and meter installation	(386,295)	(14,136)	-	(400,431)
Pumping equipment	(261,673)	(11,410)	-	(273,083)
Water treatment equipment	(377,636)	(2,015)	-	(379,651)
Tools and shop equipment	(22,314)	(40)	-	(22,354)
Office furniture and equipment	(32,718)	(83)	-	(32,801)
Miscellaneous equipment	(184,607)	(2,177)	-	(186,784)
Power equipment	(225,833)	(33,730)	-	(259,563)
Communication equipment	(1,958)	-	-	(1,958)
Structures and improvements	(18,408)	(1,040)	-	(19,448)
Wells and springs	(69,242)	(3,114)	-	(72,356)
Organization	(5,702)	-	-	(5,702)
Services	<u>(60,310)</u>	<u>(500)</u>	<u>-</u>	<u>(60,810)</u>
Total accumulated depreciation	<u>(4,979,284)</u>	<u>(176,471)</u>	<u>15,683</u>	<u>(5,140,072)</u>
Total capital assets, being depreciated, net	<u>3,967,606</u>	<u>153,220</u>	<u>-</u>	<u>4,120,826</u>
Business-type activities capital assets, net	<u>\$ 4,284,922</u>	<u>\$ 214,572</u>	<u>\$ (95,237)</u>	<u>\$ 4,404,257</u>

Depreciation charged to income was \$176,471.

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**9. DEBT OBLIGATIONS**

Line of Credit

On September 5, 2018, the District established a line of credit with Community Financial Services Bank to be used to help fund operating expenses. The interest rate of the line of credit is 5.5% and each installment borrowed is due in twenty four (24) months. The line of credit has a credit limit of \$400,000. During 2023 draws totaling \$77,376 were taken. The balance as of December 31, 2023, was \$59,763.

Note Payable

On September 27, 2023, the District **10. CONTINGENCIES**

The District participates in federal and state assisted grant programs for construction of water lines. These programs are subject to review by grantors or their representatives. As of December 31, 2023, there have been no material questioned or disallowed costs as a result of grant audits. As construction is completed, amounts due from grant funds are recognized and are recorded as revenue.

**11. PUBLIC SERVICE COMMISSION REGULATIONS**

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. The District has also filed the 2023 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

**12. ECONOMIC DEPENDENCIES**

The majority of the District's revenue consists of charges for water-related services to customers in Jonathan Creek, Kentucky. For the year ended December 31, 2023, the revenues from these sources totaled \$1,156,442. The District also receives monies from the United States Department of Agriculture and the Kentucky Infrastructure Authority whenever funds are available. Borrowed \$20,995 from Community Financial Services Bank to purchase a 2023 Dodge Ram. The loan has an interest rate of 5.759% and payments of \$929 are due monthly for 24 payments. The balance as of December 31, 2023, was \$18,500.

**Changes in Business-Type Activities Debt**

A summary of changes in the business-type activities debt for the year ended December 31, 2023 follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Debt</u> <u>Proceeds</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
<b>Line of Credit</b>					
Line of Credit - CFSB	\$ <u>147,895</u>	\$ <u>77,376</u>	\$ <u>165,508</u>	\$ <u>59,763</u>	\$ <u>59,763</u>
<b>Note Payable</b>					
Note Payable - CFSB	\$ <u>-</u>	\$ <u>20,995</u>	\$ <u>2,495</u>	\$ <u>18,500</u>	\$ <u>10,344</u>

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Principal and interest requirements of the notes payable as of December 31, 2023, are:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 10,344	\$ 804	\$ 11,148
2025	8,156	205	8,361
Total	\$ 18,500	\$ 1,009	\$ 19,509

Interest expense for the year was \$10,950.

**13. EMPLOYEES' RETIREMENT PLAN**

**County Employees' Retirement System**

*Plan description.* The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA). The CERS pension plan has two categories: Hazardous for sworn police and fire employees and Nonhazardous for general employees. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from <https://kyret.ky.gov>.

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

**Nonhazardous members**

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old
		Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
	Reduced retirement	Age of 57 or older and sum of service years plus age equal 87
		Minimum 10 years of service and 60 years old
Tier 3	Participation date	After January 1, 2014
	Unreduced retirement	Minimum 5 years of service and 65 years old
	Reduced retirement	Age of 57 or older and sum of service years plus age equal 87
		Not available

*Plan Funding.* State statute requires active members to contribute a percentage of creditable compensation based on the tier:

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Employers are required by state statute (KRS 78.545(33)) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board of Trustees annually based upon actuarial valuations. For the year ended December 31, 2023, the employer contribution rate was 23.40% for the period January 1, 2023 to June 30, 2023; and 23.34% for the period July 1, 2023 to December 31, 2023, respectively of members' nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution requirements and the amounts contributed to CERS for the year ending December 31, 2023, were \$85,789. Of this amount, \$80,098 is considered contributed to the pension requirement and \$5,691 is considered contributed to the health insurance requirement.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At December 31, 2023, the District reported a liability of \$716,788 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022", and include a change in the investment return assumption from 6.25% to 6.50%. The pension liability as of June 30, 2023, is determined using these updated assumptions. The proportionate share of the Collective Pension Amounts for employers that participate in KERS Nonhazardous plan is based upon their allocation of the amortization cost, as specified under the revised statutes. It is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2023. The final proportionate share calculation, which represents an employer's share of the long-term contribution effort assumes the amortization cost is approximately 88% of the aggregate required contribution for the fund. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions. At June 30, 2023, the District's proportion was .011171%.

*Pension expense.* As a result of its requirement to contribute to CERS, the District recognized pension expenses of \$165,711 for the year ended December 31, 2023. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 37,107	\$ 1,948
Net differences between projected and actual investment earnings	-	9,778
Change of assumption	-	65,694
Changes in proportion and differences between employer contributions and share of contributions	15,900	-
Contributions subsequent to the measurement date	<u>42,011</u>	<u>-</u>
Totals	<u>\$ 95,018</u>	<u>\$ 77,420</u>

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

*Deferred Outflows of Resources.* The \$42,011 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amortization/ (Accretion)
December 31, 2024	\$ (9,686)
December 31, 2025	(23,789)
December 31, 2026	16,002
December 31, 2027	(6,940)
Total	\$ (24,413)

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

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

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

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

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



**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022.

Inflation	2.50%
Payroll growth rate	2.00% for CERS nonhazardous
Salary increases	3.30% to 10.30%, varies by service for CERS nonhazardous
Investment rate of return	6.50% for CERS nonhazardous

The mortality table used for active members was Pub-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.50% per annum for both the nonhazardous and hazardous plan.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
<b>Growth</b>	<b>60.00%</b>	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
<b>Fixed Income</b>	<b>20.00%</b>	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
<b>Total</b>	<b>100.00%</b>	
<b>Expected real return</b>		<b>5.75%</b>
<b>Long-term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>8.25%</b>

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

*Discount Rate.* The projection of cash flows used to determine the discount rate of 6.50% for CERS nonhazardous and CERS hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
The District's proportionate share of the net pension liability	\$ 904,988	\$ 716,788	\$ 560,387

*Payables to the pension plan.* At December 31, 2023, the financial statements include \$10,706 in contractually required employee and employer contributions primarily for the month ended December 31, 2023. The obligation was paid within prescribed time limits.

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Public Pensions Authority and can be found at <https://kyret.ky.gov>.

**Other Postemployment Benefit Plan (OPEB)**

*Plan description.* The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit postemployment benefit plan (OPEB) administered by the Kentucky Public Pensions Authority (KPPA). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from <https://kyret.ky.gov>.

*Benefits provided.* The CERS Nonhazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

*Contributions.* Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District's required contribution rate for non-hazardous employees was 3.39% for the period January 1, 2023 to June 30, 2023; and 0.00% for the period July 1, 2023 to December 31, 2023.

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to 401(h) account is non-refundable.

*OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.* At December 31, 2023, the District reported a negative net OPEB liability of \$15,423 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023. At June 30, 2023, the District's proportion was .011171% for nonhazardous classified employees.

For the year ended December 31, 2023, the District recognized a negative OPEB expense of \$76,366. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 10,752	\$ 218,997
Changes of assumptions	30,352	21,152
Net difference between projected and actual earnings on plan investments	-	3,580
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,533	13,060
Contributions subsequent to the measurement date, including implicit subsidy	<u>5,038</u>	<u>-</u>
Totals	<u>\$ 57,675</u>	<u>\$ 256,789</u>

The \$5,038 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2023, implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amortization/ (Accretion)</u>
2024	\$ (56,476)
2025	(59,450)
2026	(46,528)
2027	<u>(41,698)</u>
	<u>\$ (204,152)</u>

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

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

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

Inflation	2.50%
Payroll Growth Rate	2.00% CERS nonhazardous
Salary Increase	3.30% - 10.30%, varies by service for CERS nonhazardous
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	Pub-2010 General Mortality table, for the Nonhazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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

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

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

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022.

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

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumptions is 2.50% per annum for both the nonhazardous and hazardous plan.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
<b>Fixed Income</b>	<b>11.50%</b>	
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
<b>Total</b>	<b>100.00%</b>	
<b>Expected real return</b>		<b>5.75%</b>
<b>Long-term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>8.25%</b>

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

*Implicit Subsidy.* The fully-insured premiums paid for Kentucky Employee's Health Plan are blended rates based on the combined experience of the active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. GASB Statement No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability. The District's implicit subsidy for the year ended December 31, 2023, was \$5,038.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of present, as well as what the plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.93%) or one percentage point higher (6.93%) than the current rate (5.93%):

	1% Decrease 4.93%	Current Discount Rate 5.93%	1% Increase 6.93%
The District's proportionate share of the net OPEB liability	\$ 28,944	\$ (15,423)	\$ (52,576)

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.* The following presents the Board's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as, what the Service's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The District's proportionate share of the net OPEB liability	\$ (49,435)	\$ (15,423)	\$ 26,356

*Payables to the OPEB plan.* As of December 31, 2023, all employer OPEB contributions were paid in full.

**Jonathan Creek Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2023**

**14. COMPENSATED ABSENCES**

The District grants employees vacation time based on years of service. Full-time employees are entitled to vacation pay according to the following schedule:

1 to 4 years	80 hours
5 to 9 years	120 hours
10 to 14 years	160 hours
15 and up	200 hours

Employees are allowed to carryforward 40 hours of vacation time. Any number of remaining hours above 40 will be paid at regular hourly rate. Upon termination of employment, an employee will be paid for all unused vacation leave. The liability for unused vacation time at December 31, 2023 was \$1,631.

The District's policy on sick pay states that employees will be granted 8 hours at the end of each 30 day period worked. The maximum number of hours that can be accrued is 288 or 36 days. If an employee accumulates 288 hours of unused time, hours will cease to accrue until time is used. If an employee retires, with unused time remaining, the unused time will be paid at 1/2 the number of hours that remain.

**15. LITIGATION**

The District is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Jonathan Creek Water District**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position - Budget and Actual**  
**For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Water revenues	\$ 1,151,467	\$ 1,140,676	\$ 1,156,442	\$ 15,766
Other	-	-	1,339	1,339
Total Operating Revenues	<u>1,151,467</u>	<u>1,140,676</u>	<u>1,157,781</u>	<u>17,105</u>
<b><u>Operating Expenses</u></b>				
Transmission and distribution expenses	333,150	333,150	393,231	(60,081)
General and administrative expenses	292,725	292,725	298,068	(5,343)
Depreciation	-	-	176,471	(176,471)
Pumping expenses	137,490	137,490	139,999	(2,509)
Payroll and other taxes	28,176	28,176	34,987	(6,811)
Water treatment expenses	<u>34,360</u>	<u>34,360</u>	<u>28,692</u>	<u>5,668</u>
Total Operating Expenses	<u>825,901</u>	<u>825,901</u>	<u>1,071,448</u>	<u>(245,547)</u>
<b><u>Operating Income (Loss)</u></b>	<u>325,566</u>	<u>314,775</u>	<u>86,333</u>	<u>(228,442)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Insurance proceeds	-	-	47,029	47,029
Proceeds from sale of assets	-	-	10,000	10,000
Investment income	-	-	462	462
Interest on debt	-	-	(10,950)	(10,950)
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>-</u>	<u>46,541</u>	<u>46,541</u>
<b><u>Net Income before Capital Contributions</u></b>	325,566	314,775	132,874	(181,901)
<b><u>Capital Contributions</u></b>				
Fiscal Court funds	-	-	43,436	43,436
Tap-on fees	<u>22,082</u>	<u>22,082</u>	<u>29,281</u>	<u>7,199</u>
Total Capital Contributions	<u>22,082</u>	<u>22,082</u>	<u>72,717</u>	<u>50,635</u>
<b><u>Change in Net Position</u></b>	<u>\$ 347,648</u>	<u>\$ 336,857</u>	205,591	<u>\$ (131,266)</u>
<b><u>Net Position-Beginning of Year</u></b>			<u>3,461,457</u>	
<b><u>Net Position-End of Year</u></b>			<u>\$ 3,667,048</u>	

**Jonathan Creek Water District**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**For the Years Ended December 31**  
**Last Ten Measurement Dates (1)**

<u>Year Ended</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (2)</u>
<b><u>CERS Nonhazardous</u></b>					
2023	0.011171%	\$716,788	\$342,735	209.14%	57.48%
2022	0.010997%	\$794,975	\$310,554	255.99%	52.42%
2021	0.010660%	\$679,659	\$286,799	236.98%	57.33%
2020	0.010082%	\$773,281	\$261,306	295.93%	47.81%
2019	0.012726%	\$895,025	\$297,706	300.64%	50.45%
2018	0.013799%	\$840,401	\$319,931	262.68%	53.54%
2017	0.011333%	\$663,355	\$324,982	204.12%	53.30%
2016	0.009940%	\$489,593	\$341,265	143.46%	55.50%
2015	0.006920%	\$297,444	\$240,844	123.50%	59.97%
2014	0.006620%	\$284,772	\$201,612	141.25%	66.80%

**Note to Schedule:**

(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on a calendar year ending December 31.

(2) This will be the same percentage for all participant employers in the CERS plan.

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Jonathan Creek Water District**  
**Schedule of Pension Contributions**  
**For the Years Ended December 31**  
**Last Ten Years (1)**

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<b><i>CERS Nonhazardous</i></b>					
2023	\$80,098	\$80,098	\$ -	\$342,735	23.40% /23.34%
2022	\$71,783	\$71,783	\$ -	\$310,554	22.78% /23.40%
2021	\$58,357	\$58,357	\$ -	\$286,799	19.30% /22.78%
2020	\$50,296	\$50,296	\$ -	\$261,306	19.30% / 19.30%
2019	\$52,665	\$52,665	\$ -	\$297,706	16.22% / 19.30%
2018	\$49,129	\$49,129	\$ -	\$319,931	14.48% / 16.22%
2017	\$48,772	\$48,772	\$ -	\$324,982	13.95% / 14.48%
2016	\$63,974	\$63,974	\$ -	\$341,265	12.42% / 13.95%
2015	\$44,324	\$44,324	\$ -	\$240,844	12.75% / 12.42%
2014	\$34,602	\$34,602	\$ -	\$201,612	13.74% / 12.75%

**Note to Schedule:**

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

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

**Jonathan Creek Water District**  
**Schedule of Changes in Benefits and Assumptions Pension**  
**For the Year Ended December 31, 2023**

***Note A - Changes of Assumptions:***

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

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

2017: The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

2018: There have been no changes in actuarial assumption since June 30, 2017.

2019: Payroll growth rate was reduced to 2.00% from 4.00%.

The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020: There have been no changes in actuarial assumptions since June 30, 2019.

2021: The assumed salary increases were decreased to 3.30% to 10.30%, from 3.30% to 11.55%.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

2023: New actuarial assumptions were adopted on May 9, 2023, and include a change in the investment return assumption from 6.25% to 6.50%.

***Note B - Method and assumptions used in calculations of actuarially determined contribution***

The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date of June 30, 2022, to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

**Jonathan Creek Water District**  
**Schedule of Changes in Benefits and Assumptions Pension**  
**For the Year Ended December 31, 2023**

The following actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2021
Experience study	July 1, 2018 - June 30, 2022
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.</i>
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service for CERS
Investment Return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

***Note C - Changes in benefits:***

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

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

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018: House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 169 passed during 2021 legislative session increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

2022: House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees.

2023: House Bill 506 passed during the 2023 legislative session reinstated the partial lump-sum option form of payment for member who retire on or after January 1, 2024 and also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances.

**Jonathan Creek Water District**  
**Schedule of the Proportionate Share of the Net OPEB Liability**  
**For the Years Ended December 31**  
**Last Ten Measurement Dates (1)**

<u>Year Ended</u>	<u>District's proportion of the net OPEB liability</u>	<u>District's proportionate share of the net OPEB liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability (2)</u>
<b><u>CERS Nonhazardous</u></b>					
2023	0.011171%	\$(15,423)	\$342,735	(4.46)%	104.23%
2022	0.010995%	\$216,988	\$310,554	69.87%	60.95%
2021	0.010658%	\$204,042	\$286,799	71.14%	62.91%
2020	0.010079%	\$243,377	\$261,306	93.14%	51.67%
2019	0.012723%	\$213,995	\$297,706	71.88%	60.44%
2018	0.013803%	\$245,070	\$319,931	76.60%	57.62%
2017	0.011333%	\$227,832	\$324,982	70.11%	52.40%

**Note to Schedule:**

(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on calendar years ending December 31.

(2) This will be the same percentage for all participant employers in the CERS plan.

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Jonathan Creek Water District**  
**Schedule of OPEB Contributions**  
**For the Years Ended Decmeber 31**  
**Last Ten Years (1)**

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<b><u>CERS Nonhazardous</u></b>					
2023	\$ 5,691	\$ 5,691	\$ -	\$342,735	3.39% / 0.00%
2022	\$11,654	\$11,654	\$ -	\$310,554	4.17% / 3.39%
2021	\$15,109	\$15,109	\$ -	\$286,799	4.76% / 4.17%
2020	\$12,574	\$12,574	\$ -	\$261,306	4.76% / 4.76%
2019	\$14,813	\$14,813	\$ -	\$297,706	5.26% / 4.76%
2018	\$15,918	\$15,918	\$ -	\$319,931	4.70% / 5.26%
2017	\$16,257	\$16,257	\$ -	\$324,982	4.73% / 4.70%

**Note to Schedule:**

Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

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

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Jonathan Creek Water District**  
**Schedule of Changes in Benefits and Assumptions OPEB**  
**For the Year Ended December 31, 2023**

***Note A - Changes of Assumptions:***

2017: The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018: There have been no changes in actuarial assumptions since June 30, 2017.

2019: The payroll growth rate was reduced to 2.0% from 4.0%.

The inflation rate was reduced to 2.30% from 3.25%.

The investment rate of return was reduced to 6.25% from 7.50%.

2020: There have been no changes in actuarial assumptions since June 30, 2019.

2021: Salary increases were reduced to 3.30% to 10.30%, from 3.30% to 11.55%.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

2023: New actuarial assumptions were adopted on May 9, 2023.

***Note B - Method and assumptions used in calculations of actuarially determined contributions.***

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date of June 30, 2022 to the plan's fiscal year ending June 30, 2023 using generally accepted actuarial principles. The actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2021
Experience study	July 1, 2013 - June 30, 2022
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.</i>
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service for CERS
Payroll growth rate	2.00%
Investment Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.



**Jonathan Creek Water District**  
**Schedule of Changes in Benefits and Assumptions OPEB**  
**For the Year Ended December 31, 2023**

*Notes C - Changes of Benefits:*

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases.

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

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

2022: Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2023, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement.

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

## **OTHER INFORMATION**

**Jonathan Creek Water District**  
**Detail Schedule of Operating Expenses**  
**For the Year Ended December 31, 2023**

<b><u>General operating expenses</u></b>	
Salaries and wages	\$ 140,572
Retirement	30,264
Employee insurance and benefits	41,188
Monthly billing expenses	22,342
Miscellaneous	20,982
Workers comp and bond insurance	8,840
Telephone and internet	8,350
Legal and professional	8,327
Office supplies	5,040
Uniforms	5,231
Registration expenses	1,781
Travel	3,912
Training and education	790
Bank charges	449
Total general operating expenses	<u>298,068</u>
<b><u>Transmission and distribution expenses</u></b>	
Salaries & wages	288,189
Supplies & materials	35,907
Repairs & maintenance	17,108
Insurance expenses	39,512
Vehicle expenses	9,842
Telephone expenses	2,673
Total water expenses	<u>393,231</u>
<b><u>Depreciation expense</u></b>	<u>176,471</u>
<b><u>Pumping expenses</u></b>	<u>139,999</u>
<b><u>Payroll and other taxes</u></b>	<u>34,987</u>
<b><u>Water treatment</u></b>	
Chemicals	18,987
Testing	9,705
Total water treatment	<u>28,692</u>
<b><u>Total operating expenses</u></b>	<b><u><u>\$ 1,071,448</u></u></b>

**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

---

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

To the Board of Commissioners  
Jonathan Creek Water District  
Benton, Kentucky

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

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Jonathan Creek Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2023-1 and 2023-2).

**Report on Compliance and Other Matters**

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

**Jonathan Creek Water District's Response to Findings**

Government Auditing Standards require the auditor to perform limited procedures on the Jonathan Creek Water District's response to findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

**Purpose of This Report**

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

Handwritten signature of Jessica K Dail CPA PSC

Eddyville, Kentucky  
July 5, 2024

**Jonathan Creek Water District**  
**Schedule of Findings and Responses**  
**For The Year Ended December 31, 2023**

**2023-1 Segregation of Duties**

Condition

There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria

A prudent control environment requires various functions of internal control be allocated among various employees.

Effect

Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

Cause

Lack of personnel.

Recommendation

We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response

We agree with the finding and have put in place certain compensating controls to help alleviate exposure.

**2023-2: Audit Adjustments**

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the District's financial statements.

Context: The inability to make all necessary accrual adjustments related to the GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, net OPEB liability, and deferred inflows of resources related to the District's involvement with the County Employees Retirement System was reviewed and approved by the District's management and is reflected in the financial statements.

Recommendations: We recommend that the District review the trial balance and journal entries with us to ensure they understand and are in agreement with the entries. The District should establish internal controls necessary to determine that all adjusting entries are made to ensure the District's financial statements are reported in accordance with generally accepted accounting principles.

Response: The District's management will review the trial balance and journal entries in detail. The District understands their obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability related to their proportionate share of the County Employees Retirement System.

**Jonathan Creek Water District**  
**Schedule of Prior Year Findings and Responses**  
**For The Year Ended December 31, 2022**

**2022-1 Segregation of Duties**

Condition

There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria

A prudent control environment requires various functions of internal control be allocated among various employees.

Effect

Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

Cause

Lack of personnel.

Recommendation

We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response

We agree with the finding and have put in place certain compensating controls to help alleviate exposure.

**2022-2: Audit Adjustments**

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the District's financial statements.

Context: The inability to make all necessary accrual adjustments related to the GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, net OPEB liability, and deferred inflows of resources related to the District's involvement with the County Employees Retirement System was reviewed and approved by the District's management and is reflected in the financial statements.

Recommendations: We recommend that the District review the trial balance and journal entries with us to ensure they understand and are in agreement with the entries. The District should establish internal controls necessary to determine that all adjusting entries are made to ensure the District's financial statements are reported in accordance with generally accepted accounting principles.

Response: The District's management will review the trial balance and journal entries in detail. The District understands their obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability related to their proportionate share of the County Employees Retirement System.