

**MARION COUNTY WATER DISTRICT
AUDIT REPORT
DECEMBER 31, 2023 AND 2022**

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INDEPENDENT AUDITOR'S REPORT

March 27, 2024

To the Commissioners of the
Marion County Water District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying general-purpose financial statements of Marion County Water District (District), Lebanon, Kentucky, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marion County Water District, and to meet our 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 basis for our opinions.

Change in Accounting Principle

As described in Note A to the financial statements, in 2023, the District adopted new guidance, GASB statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identity 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 risk. 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 Marion County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marion County Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charges 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 identify during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of net pension liabilities, and the schedule of the District's proportionate share of net other post-employment benefits on pages 4-8, 31, and 33 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 Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County Water District's general purpose financial statements. The accompanying Schedules of Operation and Maintenance Expenses and the Schedule of Bond Retirements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and Schedules of Operation and Maintenance Expenses and the Schedule of Bond Retirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the Marion County Water District, Lebanon, Kentucky's internal control over financial reporting and on our test of its compliance with certain provision 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 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 Marion County Water District, Lebanon, Kentucky's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

**MANAGEMENT’S DISCUSSION AND ANALYSIS
MARION COUNTY WATER DISTRICT
DECEMBER 31, 2023**

Within this section of the Marion County Water District’s annual financial report, the District’s management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. The District’s financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District’s assets and other debits exceeded its liabilities by \$12,937,030 (Net Position) for the fiscal year reported.
- Total net position comprised of the following:
 - (1) Appropriated retained earnings of \$850,701
 - (2) Retained earnings from income before contributions of (\$990,592)
 - (3) Donated capital of \$13,076,921.
- The District’s general purpose financial statement’s retained earnings from income before contributions increased by \$129,299 from the previous fiscal year.
- The District’s general purpose financial statement’s donated capital increased by \$1,163,318 from the previous fiscal year. Donated capital primarily consists of contributions in aid of construction from federal USDA grant funds, KY Legislature grant funds, and customers for water line construction and projects. In 2023, this increase was the result of contributions in aid of construction from KY Legislature grant funds, KY Transportation Cabinet and customers.

Statements of Net Position:

	<u>2023</u>	<u>2022</u>
Utility Plant	15,900,908	13,988,065
Right of Use Asset – Net of Amortization	25,192	41,987
Certificates of Deposit	747,515	750,003
Cash	1,825,971	1,879,595
Net Customer Accounts Receivable	210,545	179,746
Other Current Assets	<u>220,852</u>	<u>105,765</u>
Total Current & Accrued Assets	<u>2,257,368</u>	<u>2,165,106</u>
Deferred Outflows-Regulatory Asset	72,000	72,000
Deferred Outflows Related to Other Post Employment Benefits	327,659	237,701
Deferred Outflows Related to Pensions	<u>169,929</u>	<u>373,648</u>
Total Deferred Outflows	<u>569,588</u>	<u>683,349</u>
Total Assets & Deferred Outflows	<u>19,500,571</u>	<u>17,628,510</u>

Statements of Net Position (Continued):

	<u>2023</u>	<u>2022</u>
Net Position		
Appropriated Retained Earnings	850,701	836,270
Retained Earnings from Income before Contributions	(990,592)	(1,119,891)
Donated Capital	<u>13,076,921</u>	<u>11,913,603</u>
Total Net Position	12,937,030	11,629,982
Deferred Inflows Related to Other Post Employment Benefits	444,922	178,042
Deferred Inflows Related to Pensions	252,081	152,224
Deferred Inflows Related to Customers	0	83,790
Total Deferred Inflows	<u>697,003</u>	<u>414,056</u>
Lease Obligation (Note P)	9,271	27,200
KIA Loan Payable (Note D)	284,213	311,485
KIA Loan Payable (Note E)	764,144	806,714
Farmers National Bank Refinance Loan Payable (Note F)	351,044	396,381
Farmers National Bank Meter Project Loan Payable (Note G)	1,394,026	625,382
Revenue Bonds Payable (Note H)	1,167,000	1,194,000
Net OPEB Liability	(25,107)	348,167
Net Pension Liability	<u>1,166,842</u>	<u>1,275,559</u>
Total Long-term Debt	5,111,433	4,984,888
Lease Obligation (Note P)	17,929	17,142
KIA Loan Payable (Note D)	27,271	26,800
KIA Loan Payable (Note E)	42,570	41,834
Farmers National Bank Refinance Loan Payable (Note F)	45,337	44,388
Farmers National Bank Meter Project Loan Payable (Note G)	146,084	0
Revenue Bonds Payable (Note H)	27,000	26,000
Other Current and Accrued Liabilities	<u>448,914</u>	<u>443,420</u>
Total Current and Accrued Liabilities	755,105	599,584
Total Liabilities	<u>5,866,538</u>	<u>5,584,472</u>
Total Net Position, Deferred Inflows and Liabilities	<u>19,500,571</u>	<u>17,628,510</u>

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's general purpose financial statements. The general purpose financial statements include: (1) Statements of Net Position, (2) Income Statements, (3) Statements of Changes in Net Position, (4) Statements of Cash Flows, and (5) Notes to the Financial Statements. The Statements of Net Position show the total assets, deferred outflows, liabilities, deferred inflows, and net position as of December 31, 2023 and December 31, 2022. The Income Statements depict the difference between the revenues and expenses for 2023. The Statements of Changes in Net Position show the change in appropriated retained earnings and retained earnings from income before contributions. The District includes in this report additional information to supplement the basic financial statements.

The District as a Whole

Increases include total assets and deferred outflows, which increased \$1,872,061 (10.620%). Of this, net utility plant increased \$1,896,048 (13.514%) from the previous fiscal year. Deferred outflows decreased by \$113,761 (16.648%) primarily due to required adjustments pertaining to GASBS Statements Nos. 68 and 75. Further, cash decreased by \$53,624 (2.853%). Customer Accounts Receivable increased by \$30,799 (17.134%).

Income Statement:

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Water Revenue	3,980,073	3,634,821
Other Operating Revenue	<u>97,775</u>	<u>117,746</u>
Total Operating Revenue	4,077,848	3,752,567
Operating Expenses		
Purchased Water	2,043,513	2,240,840
Other Operation & Maintenance Expenses	1,351,843	1,311,443
Depreciation & Amortization	<u>617,274</u>	<u>559,438</u>
Total Operating Expenses	<u>4,012,630</u>	<u>4,111,721</u>
Operating Income (Loss)	65,218	(359,154)
Other Income	151,744	97,480
Other Expenses - Interest	<u>73,232</u>	<u>67,738</u>
Net Income (Loss) Before Contributions	<u>143,730</u>	<u>(329,412)</u>
Retained Earnings From Income Before Contributions		
Beginning Balance	(1,119,891)	(871,782)
Transfer to/from Appropriated Retained Earnings	<u>(14,431)</u>	<u>81,303</u>
Ending Balance	<u>(990,592)</u>	<u>(1,119,891)</u>

Operating revenues budgeted for 2023 were \$4,174,900. Operating revenues for 2023 were \$4,077,848, which was \$97,052 less than the budgeted amount. Actual operating revenues increased \$325,281 over the prior year. This is primarily due to the increased water rate in effect for 2023. Total operation and maintenance expenses budgeted before depreciation for 2023 were \$3,654,500. Total operation and maintenance expenses for 2023 before depreciation were \$3,395,356, which was \$259,144 less than the budgeted amount. Actual operating expenses decreased \$156,927 (excluding depreciation) from the prior year primarily due to a decrease of \$197,327 in purchased water expense.

Net income before contributions increased by \$473,142 as compared to 2022. This was primarily due to the increase in operating revenues for 2023 of \$325,281 from the increased water rates in 2023 and the decrease in operating expenses of \$156,927 from the reduced purchased water expense amount.

Utility Plant

Additions to Utility Plant were \$2,669,429. Accumulated depreciation increased \$600,479. There was a net increase in the District's Utility Plant of \$2,068,950. For a detail of Utility Plant, see Note C.

	Utility Plant (Net of Accumulated Depreciation)
Land	\$ 354,362
Construction in Progress	453,604
Distribution Plant	14,312,219
General Plant	780,723
Total Utility Plant	<u>15,900,908</u>

Debt Administration

At year-end, the District had net pension liability of \$1,166,842 and other post-employment benefit liability of (\$25,107). At year-end, the District had a Lease Obligation of \$27,200. At year-end, the District had a balance owed of \$311,484 for KIA loan no. B12-06 and a balance owed of \$806,714 for KIA loan no. B18-10. The Citizens National Bank loan was refinanced with Farmers National Bank. At year-end, that loan balance was \$396,381. At year-end, the District had a balance of \$1,540,110 for Meter Project Loan with Farmers National Bank. At year-end the District had \$1,194,000 in outstanding revenue bonds payable. The total bonds, loans, and due to payable at year end were \$5,417,624, versus \$5,141,050 the previous year, an increase of \$276,574 (5.4%). For a breakdown of the District's current and long-term debt, see Notes D, E, F, G, and H and the supplemental financial information provided within this report.

Future Projections

The Board is looking at several possible water projects for the District for 2024. They are as follows:

Installation of a new six (6) inch line from the intersection of Hwy. 243 and Hwy. 337 to the existing PRV valve seven thousand (7,000) feet to the south. This line will replace an existing three (3) inch line. The District's manpower will be utilized to install this line for a significant savings. The projected cost of this project would be \$110,000. This project would cost three hundred and sixty-five thousand (\$365,000) if constructed by outside contractors.

Installation of a new six (6) inch line along Hwy. 52 from Jones Lane, east four thousand two hundred (4,200) feet. This line will replace an existing four (4) inch line. The District's manpower will be utilized to install this line for a significant savings. The projected cost of this project is \$125,000. This project would cost three hundred and eighty-five thousand (\$385,000) if constructed by outside contractors.

Installation of seventeen hundred (1,700) feet of new three (3) inch line along Fagan Branch Road. This line will replace an existing one and one-half (1.5) inch line. The District's manpower will be utilized to install this line for a significant savings. The projected cost of this project is \$20,000. This project would cost eighty-five thousand (\$85,000) if constructed by outside contractors.

Installation of forty-eight (4,800) feet of new six (6) inch line along Hwy. 49 from the intersection with Hwy. 52, south to Frogtown Road. This line will replace an existing six (6) inch AC line and would be completed in order to facilitate the installation of sidewalks to be built by Loretto as part of a TAP Grant. This project is estimated at three hundred thousand (\$300,000) dollars.

A new line is being discussed through the new multi-purpose facility property owned by Marion County. This line is designed to be installed as an eight (8) inch line, but talks are currently on-going to increase the size to a twelve (12) inch line. This additional cost would be the responsibility of the District and is estimated at sixty thousand (\$60,000) dollars.

A new 8-inch water main will be installed along Hwy. 52 to increase the level of service to the Hwy. 52 area and the Maker's Mark Distillery. This project is estimated at approximately \$1,800,000 and will be funded by the Maker's Mark Distillery.

Marion County Water District
Lebanon, Kentucky

Statement of Net Position
December 31, 2023 and 2022

Assets and Other Debits

	2023	2022
Net Utility Plant (Notes A-3 and C)	15,900,908	13,988,065
Right of Use Asset - Net of Amortization	25,192	41,987
Total	15,926,100	14,030,052
Other Property and Investments		
Certificates of Deposit	747,515	750,003
Total Other Property and Investments	747,515	750,003
Current and Accrued Assets		
Cash (Note B)	1,722,785	1,792,989
Cash - Restricted (Note B)	103,186	86,606
Total Cash	1,825,971	1,879,595
Customer Accounts Receivable, Net of Allowance of 3,950 and 3,127	210,545	179,746
Other Receivables	95,218	0
Materials and Supplies Inventory (Note A-2)	83,551	81,754
Prepaid Insurance	26,482	22,276
Other Prepaids	6,970	0
Accrued Interest Receivable	8,631	1,735
Total Current and Accrued Assets	2,257,368	2,165,106
Deferred Outflows - Regulatory Asset	72,000	72,000
Deferred Outflows Related to Other Post Employment Benefits	327,659	237,701
Deferred Outflows Related to Pensions	169,929	373,648
Total Deferred Outflows	569,588	683,349
Total Assets and Deferred Outflows	19,500,571	17,628,510

See independent auditor's report and accompanying notes to the financial statements.

Marion County Water District
Lebanon, Kentucky

Statement of Net Position
December 31, 2023 and 2022

Net Position and Liabilities

	2023	2022
Net Position		
Appropriated Retained Earnings (Note I)	850,701	836,270
Retained Earnings from Income before Contributions	(990,592)	(1,119,891)
Donated Capital	13,076,921	11,913,603
Total Net Position	12,937,030	11,629,982
Deferred Inflows Related to Other Post Employment Benefits	444,922	178,042
Deferred Inflows Related to Pensions	252,081	152,224
Deferred Inflows Related to Customers	0	83,790
Total Deferred Inflows	697,003	414,056
Long-Term Debt		
Lease Obligation (Note P)	9,271	27,200
KIA Loan Payable (Note D)	284,213	311,485
KIA Loan Payable (Note E)	764,144	806,714
Farmers National Bank Refinance Loan Payable (Note F)	351,044	396,381
Farmers National Bank Meter Project Loan Payable (Note G)	1,394,026	625,382
Revenue Bonds Payable (Note H)	1,167,000	1,194,000
Net OPEB Liability	(25,107)	348,167
Net Pension Liability	1,166,842	1,275,559
Total Long-Term Debt	5,111,433	4,984,888
Current and Accrued Liabilities		
Lease Obligation (Note Q)	17,929	17,142
KIA Loan Payable (Note D)	27,271	26,800
KIA Loan Payable (Note E)	42,570	41,834
Farmers National Bank Refinance Loan Payable (Note F)	45,337	44,388
Farmers National Bank Meter Project Loan Payable (Note G)	146,084	0
Revenue Bonds Payable (Note H)	27,000	26,000
Accounts Payable - Trade	185,524	200,490
Accrued County Retirement	13,325	14,734
Accrued Unemployment	3,135	2,629
Payroll Taxes Payable	3,318	3,443
Customer Deposits	39,912	38,312
Accrued Interest Payable	19,403	19,825
Other Accrued Liabilities	184,297	163,987
Total Current and Accrued Liabilities	755,105	599,584
Total Net Position, Deferred Inflows, and Liabilities	19,500,571	17,628,510

See independent auditor's report and accompanying notes to the financial statements.

Marion County Water District
Lebanon, Kentucky

Statements of Income
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>Percent of Revenue</u>	<u>2022</u>	<u>Percent of Revenue</u>
Operating Revenue				
Metered Sales Residential	3,085,474	75.7%	2,842,149	75.7%
Metered Sales Commercial	840,925	20.6%	744,676	19.8%
Metered Sales Schools	30,582	0.7%	33,742	0.9%
Metered Sales Multi-Family	23,092	0.6%	14,254	0.4%
Miscellaneous Service	22,223	0.5%	26,426	0.7%
Late Charges	<u>75,552</u>	<u>1.9%</u>	<u>91,320</u>	<u>2.4%</u>
Total Operating Revenue	4,077,848	100.0%	3,752,567	100.0%
Operating Expenses				
Operation & Maintenance Expense	3,395,356	83.3%	3,552,283	94.7%
Amortization - Right of Use Asset	16,795	0.4%	16,795	0.4%
Depreciation	<u>600,479</u>	<u>14.7%</u>	<u>542,643</u>	<u>14.5%</u>
Total Operating Expenses	4,012,630	98.4%	4,111,721	109.6%
Operating Income (Loss)	65,218	1.6%	(359,154)	-9.6%
Other Income				
Interest Income	23,138	0.6%	12,373	0.3%
Gain (Loss) on Sale of Asset	29,558	0.7%	5,500	0.1%
Collection Fees	59,397	1.5%	60,748	1.6%
Credit Card Fee Revenue	28,446	0.7%	4,296	0.1%
Misc. Non-Operating Income	<u>11,205</u>	<u>0.3%</u>	<u>14,563</u>	<u>0.4%</u>
Total Other Income	151,744	3.7%	97,480	2.6%
Other Expenses				
Interest on Long-Term Debt	71,520	1.8%	67,692	1.8%
Other Interest	<u>1,712</u>	<u>0.0%</u>	<u>46</u>	<u>0.0%</u>
Total Other Expenses	73,232	1.8%	67,738	1.8%
Net Income (Loss) before Contributions	<u><u>143,730</u></u>	<u><u>3.5%</u></u>	<u><u>(329,412)</u></u>	<u><u>-8.8%</u></u>

See independent auditor's report and accompanying notes to the financial statements.

Marion County Water District
Lebanon, Kentucky

Statements of Changes in Net Position
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Appropriated Retained Earnings		
Balance - Beginning of Year	836,270	917,573
Transfer to/from Retained Earnings from Income before Contributions	<u>14,431</u>	<u>(81,303)</u>
Balance - End of Year	<u><u>850,701</u></u>	<u><u>836,270</u></u>
Retained Earnings from Income before Contributions		
Balance - Beginning of Year	(1,119,891)	(871,782)
Net Income (Loss) for the Year	143,730	(329,412)
Transfer to/from Appropriated Retained Earnings	<u>(14,431)</u>	<u>81,303</u>
Balance - End of Year	<u><u>(990,592)</u></u>	<u><u>(1,119,891)</u></u>

See independent auditor's report and accompanying notes to the financial statements.

Marion County Water District
Lebanon, Kentucky

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Receipts from Users	4,022,056	3,951,560
Payments to Employees	(770,136)	(651,271)
Payments to Suppliers for Goods and Services	(2,723,340)	(2,764,328)
Net Cash Provided by Operating Activities	528,580	535,961
 Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	1,163,318	105,811
Proceeds from Long-Term Debt	974,618	1,106,020
Principal Payments on Long-term Debt	(198,911)	(586,700)
Principal Payments on Leases	(17,142)	(16,389)
Proceeds from the Sale of Equipment	185,665	0
Interest Payments	(73,654)	(47,913)
Payments for Capital Projects and Equipment	(2,669,429)	(1,076,301)
Net Cash Used in Capital and Related Financing Activities	(635,535)	(515,472)
 Cash Flows from Investing Activities:		
Interest Income Received	16,168	12,373
Interest - Early Redemption Penalties	(2,488)	0
Rent and Other Income	39,651	18,859
Net Cash (Used in) Provided by Investing Activities	53,331	31,232
Cash and Investments, Beginning	1,879,595	1,827,874
Cash and Investments, Ending	1,825,971	1,879,595

See independent auditor's report and accompanying notes to the financial statements.

Marion County Water District
Lebanon, Kentucky

Statements of Cash Flows - (Continued)
For the Years Ended December 31, 2023 and 2022

Reconciliation of Net Income to Net Cash Provided by Operating Activities

	2023	2022
Net Income	143,730	(329,412)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	600,479	542,643
Amortization	16,795	16,795
Interest on Debt	73,654	47,913
Misc. Non-Operating Income	(39,433)	(14,563)
Credit Card Fee Revenue		(4,296)
(Gain) or Loss on Disposal of Assets	(29,558)	-
Interest Income	(18,730)	(12,373)
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
Accounts Receivable	(30,799)	54,455
Other Receivables	(95,218)	-
Materials & Supplies Inventory	(1,797)	(7,226)
Other Assets	(11,176)	(4,033)
Accounts Payable	(14,966)	(13,519)
Other Liabilities	20,882	22,486
Deferred Outflows	113,761	(164,732)
Deferred Inflows - Pension & OPEB	366,737	(7,666)
Deferred Inflows - Customers	(83,790)	83,790
Net Pension Liability	(108,717)	48,460
Net Other Post Employment Benefits Liability	(373,274)	277,239
Net Cash Provided by Operating Activities	528,580	535,961

See independent auditor's report and accompanying notes to the financial statements.

Nature of Operations:

Marion County Water District is a special district of Marion County, Kentucky. It operates a water distribution system in Marion County and southern Nelson County. Water is purchased from the Lebanon Water Company and Campbellsville Water Company and resold to more than 6,000 customers in Marion and Nelson Counties.

Significant Accounting Policies:

- A. The following is a summary of the significant accounting policies of the Marion County Water District:
1. Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting.
 2. Inventory is recorded at cost.
 3. Utility plant is stated at cost less accumulated depreciation computed on a straight-line method. The distribution plant assets are depreciated mainly over 62.5 years. The general plant assets are depreciated over their estimated useful lives from five to ten years. Meters are depreciated over 20 years in accordance with their estimated warranted life span.
 4. Four funds are set up on the company's books: revenue fund, operation and maintenance fund, reserve fund, and sinking fund. All income is deposited to the revenue fund. Funds are transferred monthly from the revenue fund to the operation and maintenance fund sufficient to pay the general expenses of the water system. Transfers are made from the revenue fund to the reserve fund as stipulated by the bond agreements. Contributions in aid of construction are deposited directly to the reserve fund. Transfers from the revenue fund to the sinking fund are made to sufficiently meet the required bond and interest payments to the U S Department of Agriculture-Rural Development.
 5. The District invests its reserves in short-term certificates of deposits with local financial institutions. All certificates of deposit are considered to be cash equivalents.
 6. Operating revenues include all utility service-related revenues primarily derived from distributing water to Marion County and Nelson County residents. Non-operating revenues include revenues from rents, outside billings, interest, and other miscellaneous, non-operating revenues.
 7. When the District incurs an expense for which both restricted and unrestricted net assets are available, the District's policy is to expend restricted net assets to the extent available first and then to expend unrestricted net assets.
 8. Changes in Accounting Principle

Effective January 1, 2023, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB No. 96 establishes accounting and financial reporting guidance for subscription-based technology contracts and vendor-provided technology. This implementation had no adjustment on beginning net position. The District had no contracts present for the current year that fell under this standard. However, it has been adopted as it was required to be and could have an impact in future years.

Notes to Financial Statements (Continued)

B. Cash:

At year end the carrying amount of the District's cash and cash equivalents was \$1,879,595. Of the total cash, \$1,100,005 was covered by Federal Depository Insurance, \$779,594 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name, and the remaining \$996 was petty cash on hand.

Bond documents require the maintenance of certain accounts that are restricted as to withdrawal. Included in cash at December 31, 2023 and 2022, were the following restricted funds:

	<u>2023</u>	<u>2022</u>
Reserve Funds	63,885	36,848
Short-Lived Asset Account	<u>39,301</u>	<u>49,758</u>
Total	<u>103,186</u>	<u>86,606</u>

C. Utility Plant:

The following represents the amount of utility plant as of December 31, 2023 and 2022:

	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassify</u>	<u>Balance</u>
Nondepreciable Assets:					
Land	109,654	244,708			354,362
Construction in Progress	146,708	2,179,096		(1,872,200)	453,604
Depreciable Assets:					
Distribution Plan	21,994,584	69,430	(662,355)	1,872,200	23,273,859
General Plant	<u>1,596,860</u>	<u>176,195</u>	<u>(63,616)</u>		<u>1,709,439</u>
Total	<u>23,847,806</u>	<u>2,669,429</u>	<u>(725,971)</u>	-	<u>25,791,264</u>
Less: Accumulated					
Depreciation	<u>(9,859,741)</u>	<u>(600,479)</u>	<u>569,864</u>		<u>(9,890,356)</u>
Net Utility Plant	<u><u>13,988,065</u></u>	<u><u>2,068,950</u></u>	<u><u>(156,107)</u></u>	<u><u>-</u></u>	<u><u>15,900,908</u></u>

\$19,965 of interest was capitalized during the year ended December 31, 2023 and no interest was capitalized during the year ended December 31, 2022.

Notes to Financial Statements (Continued)

D. KIA Loan Payable:

During 2013, Marion County Water District upgraded the Highway 84 water line. During 2014, additional loan funds totaling \$68,276 were utilized for the Kentucky 49 at Bradfordsville project. These projects were funded by a Kentucky Infrastructure Authority (KIA) loan. The total loaned to the District was \$548,180, and the loan has a fixed interest rate of 1.75%. As of December 31, 2023, the KIA Loan has a balance owed of \$311,484. Maturities for future years are as follows:

Year	Interest	Principal
2024	5,332	27,271
2025	4,853	27,750
2026	4,365	28,238
2027	3,869	28,734
2028	3,364	29,240
2029	2,850	29,754
2030	2,327	30,277
2031	1,795	30,809
2032	1,253	31,350
2033	702	31,901
2034	141	16,160
Total	30,851	311,484

E. KIA Fund B Loan Payable:

During 2018, Marion County Water District signed a \$950,000 loan from Kentucky Infrastructure Authority to fund two projects – water line replacements on McElroy Pike and Hwy 289. All \$950,000 of funding available was utilized during 2020 and the related projects were completed during 2020. The loan has a fixed interest rate of 1.75%. As of December 31, 2023, the KIA Fund B Loan has a balance owed of \$806,714. Maturities for future years are as follows:

Year	Interest	Principal
2024	13,932	42,570
2025	13,184	43,318
2026	12,422	44,079
2027	11,648	44,854
2028	10,859	45,643
2029	10,057	46,445
2030	9,241	47,261
2031	8,410	48,092
2032	7,565	48,937
2033	6,705	49,798
2034	5,829	50,672
2035	4,939	51,563
2036	4,032	52,469
2037	3,110	53,392
2038	2,172	54,330
2039	1,217	55,285
2040	244	28,006
Total	125,566	806,714

Notes to Financial Statements (Continued)

F. Farmers National Bank Loan Payable – Refinance:

In January of 2022, Marion County Water District refinanced an existing loan. The beginning principal value of the loan as \$480,638 with a fixed 2.14% interest rate. The loan requires monthly payments of \$4,459 through January 2032. At December 31, 2023, the balance of this loan was \$396,381. Maturities for future years are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2024	8,174	45,337
2025	7,157	46,354
2026	6,141	47,370
2027	5,103	48,408
2028	4,054	49,457
2029	2,958	50,553
2030	1,851	51,660
2031	718	52,792
2032	8	4,450
Total	<u>36,164</u>	<u>396,381</u>

G. Farmers National Bank Loan Payable – Meter Project:

During 2022, Marion County Water District began receiving draws on a construction loan with Farmers National Bank. The purpose of the loan is to finance the replacement of existing radio read meters for all customers and also to fund the installation of multiple zone meters. The District believes that this project will allow for much better tracking of water loss within the water system. The loan has a fixed interest rate of 2.14%. As of December 31, 2023, the loan has a balance owed of \$1,540,110. Monthly payments began in late 2023 and are \$14,845 each month. Maturities for future years are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2024	32,058	146,084
2025	28,765	149,377
2026	25,491	152,651
2027	22,146	155,996
2028	18,782	159,360
2029	15,235	162,907
2030	11,665	166,477
2031	8,017	170,125
2032	4,304	173,838
2033	747	103,295
Total	<u>167,210</u>	<u>1,540,110</u>

H. Revenue Bonds Payable:

The 2009 Series Revenue Bond Issue are Build America Bonds whereby the United States Treasury refunds to the Marion County Water District 35% of the interest paid on these bonds and thus reducing the effective rate of interest from 3.5% to 2.275% per annum.

Water Revenue Bond Series of 2009 - Interest due semiannually
January 1 and July 1 at 3.25% with varying principal payments
due January 1 of each year through 2050

1,220,000

Notes to Financial Statements (Continued)

Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2024	27,000
2025	28,000
2026	29,000
2027	30,000
2028	31,000
2029-2033	172,000
2034-2038	206,000
2039-2043	246,000
2044-2048	295,000
2049-2050	130,000
Total	<u><u>1,194,000</u></u>

A detail of principal payments by year is also presented on page 38.

I. Due to Lebanon Water Works and Deferred Outflows – Regulatory Asset:

During 2018, Marion County Water District received an Order from the Public Service Commission for Case Number 2017-0047. Per the order, Marion County Water District has also established a balance sheet item called Deferred Outflows – Regulatory Asset that is equal to the \$72,000 of total legal reimbursement fees. The District will be able to recover these costs as a part of its next rate application.

J. Long-term liability activity for the year ended December 31, 2023, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Net Pension Liability	1,275,559		(108,717)	1,166,842
Net OPEB Liability	348,167		(373,274)	(25,107)
Lease Obligation	44,342		(17,142)	27,200
KIA Loan Payable	338,285		(26,801)	311,484
KIA Loan Payable	848,548		(41,834)	806,714
FNB Loan Payable	440,767		(44,386)	396,381
FNB Loan Payable	625,382	974,618	(59,890)	1,540,110
Revenue Bonds Payable	1,220,000		(26,000)	1,194,000
Total	<u><u>5,141,050</u></u>	<u><u>974,618</u></u>	<u><u>(698,044)</u></u>	<u><u>5,417,624</u></u>

Notes to Financial Statements (Continued)

K. Appropriated Retained Earnings:

Appropriated retained earnings at December 31, 2023 and 2022, consist of restricted funds as follows:

	<u>2023</u>	<u>2022</u>
CDs - Reserve Fund	747,515	750,003
Cash - Reserve Fund	63,885	36,509
Cash – Short-Lived Asset Fund	<u>39,301</u>	<u>49,758</u>
	<u>850,701</u>	<u>836,270</u>

These funds are restricted in accordance with the provisions of the bond issuance of 2010 and the Citizens National Bank loan payable. Reserve funds must be maintained at a level of \$135,000. Further, the District is required to deposit \$12,114 into the Short-Lived Asset Fund account monthly. The funds in this account may be used by the District to replace or add short-lived assets to the District’s water system; they may not be used for general operating expenses. The debt provisions allow the District to invest these funds in interest-bearing obligations maturing no later than three years after the date of investment.

L. Retirement Plan

The District’s employees are provided with the County Employees Retirement System.

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

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

Notes to Financial Statements (Continued)

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

Contributions—Required contributions by the employee are based on the tier:

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

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

At December 31, 2021 and 2020, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability that was associated with the District were as follows:

	<u>2023</u>	<u>2022</u>
District's proportionate share of the CERS net pension liability	\$ 1,166,842	\$ 1,275,559

The net pension liability for the plan was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the District's proportion was .018185 percent. At June 30, 2022, the District's proportion was 0.017645 percent.

For the year ended December 31, 2023 and 2022, respectively, the District recognized pension expense of \$183,413 and \$214,150 related to CERS. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements (Continued)

	2023 Deferred Outflows of Resources	2023 Deferred Inflows of Resources	2022 Deferred Outflows of Resources	2022 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,405	\$ 3,171	\$ 1,364	\$ 11,359
Changes of assumptions	-	106,942	-	-
Net difference between projected and actual earnings on pension plan investments	126,052	141,968	173,565	140,865
Changes in proportion and differences between District contributions and proportionate share of contributions	70,640	-	141,336	-
District contributions subsequent to the measurement date	<u>70,562</u>	<u>-</u>	<u>57,383</u>	<u>-</u>
Total	<u>\$ 327,659</u>	<u>\$ 252,081</u>	<u>\$ 373,648</u>	<u>\$ 152,224</u>

\$70,562 and \$57,383 were reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

2024	23,553
2025	(33,289)
2026	26,049
2027	(11,297)
2028	-0-

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

The complete list of assumptions are available on the Kentucky Retirement Systems’ website in a report titled “CERS: 2022 Actuarial Experience Study for the Period Ending June 30, 2022”. The following website is provided for reference: <https://www.kyret.ky.gov/Publications/Pages/Experience-Studies.aspx>

Notes to Financial Statements (Continued)

Actuarial assumptions: June 30, 2022—The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3%
Payroll Growth Rate	2.0% for CERS Non-Hazardous, and 0.00% for KERS Non-Hazardous and Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-Hazardous; 3.55% to 19.05%, varies by service for CERS Hazardous; 3.30% to 15.30%, varies by service for KERS Non-Hazardous; 3.55% to 20.05%, varies by service for KERS Hazardous
Investment Rate of Return	6.25% for CERS Non-Hazardous, and Hazardous, and KERS Hazardous, 5.25% for KERS Non-Hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvements scale using a base year of 2020. The mortality table used for the disabled members of PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The 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 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 (June 30, 2023) long-term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous plan. That is an increase of 0.20% from the prior year.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Bonds	10.00%	2.45%
Specialty Credit / High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25 %

Notes to Financial Statements (Continued)

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.50% for June 30, 2023 and 6.25% for June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 8.25% for June 30, 2023 and 6.25% for June 30, 2022. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

2023	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	1,473,209	1,166,842	912,240
2022	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	1,594,291	1,275,559	1,011,942

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

M. Postemployment Benefits Other Than Pensions

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the

Notes to Financial Statements (Continued)

Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Marion County Water District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy tenths percent (4.70%) of the gross annual payroll of members is contributed for the year ended June 30, 2019 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At December 31, 2023 and 2022, the District reported a liability of \$(25,107) and \$348,167 respectively for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District’s proportion was .018185 percent, compared to .017642 as of June 30, 2022.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

	<u>2023</u>	<u>2022</u>
District’s proportionate share of the CERS net OPEB liability	\$ (25,107)	\$ 348,167

Notes to Financial Statements (Continued)

For the year ended December 31, 2023 and 2022, the District recognized OPEB expense of \$(28,957) and \$67,942 respectively. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	2023 Deferred Outflows of Resources	2023 Deferred Inflows of Resources	2022 Deferred Outflows of Resources	2022 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,504	\$ 356,500	\$ 35,046	\$ 79,843
Changes of assumptions	49,410	34,434	55,065	45,373
Net difference between projected and actual earnings on pension plan investments	46,988	52,815	64,832	50,701
Changes in proportion and differences between District contributions and proportionate share of contributions	41,826	1,173	61,892	2,125
District contributions subsequent to the measurement date	<u>8,201</u>	<u>-</u>	<u>20,866</u>	<u>-</u>
Total	<u>\$ 163,929</u>	<u>\$ 444,922</u>	<u>\$ 237,701</u>	<u>\$ 178,042</u>

\$8,201 and \$20,866 were reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ (60,408)
2025	(86,058)
2026	(69,791)
2027	(66,935)
2028	-

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 June 30, 2021 to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Notes to Financial Statements (Continued)

Actuarial assumptions: June 30, 2023—The Board of Trustees for the County Employees Retirement System adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled “CERS: 2022 Actuarial Experience Study for the Period Ended June 30, 2022”. A single discount rate of 5.93% for the CERS non-hazardous insurance plan was used to measure the total OPEB liability.

The complete list of assumptions are available on the Kentucky Retirement Systems’ website in a report titled “CERS: 2022 Actuarial Experience Study for the Period Ending June 30, 2022”. The following website is provided for reference: <https://www.kyret.ky.gov/Publications/Pages/Experience-Studies.aspx>

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

Actuarial assumptions: June 30, 2022 – The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Inflation	2.3%
Payroll Growth Rate	2.0% for CERS Non-Hazardous
Salary Increases	3.3% to 10.3%, varies by service for CERS Non-Hazardous;
Investment rate of return	6.25%
Healthcare cost trend rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
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.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Plans, and the PUB-2010 Public Safety Mortality table for Hazardous 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 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The 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 current (June 30, 2023) long-term inflation assumption is 2.5% per annum for both the non-hazardous and hazardous plan. That is an increase of 0.20% from the prior year.

Notes to Financial Statements (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Bonds	10.00%	2.45%
Specialty Credit / High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Discount rate - Single discount rates of 5.93% for CERS Nonhazardous and 5.97% for the CERS Hazardous insurance plan 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 investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming 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 following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.93% for 2023 and 5.70% for 2022 as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93% for 2023 and 4.70% for 2022) or 1-percentage-point higher (6.93% for 2023 and 6.70% for 2022) than the current rate:

<u>2023</u>	1% Decrease	Current Discount Rate	1% Increase
CERS	4.93%	5.93%	6.93%
District's proportionate share of net OPEB liability	348,167	348,167	251,218

Notes to Financial Statements (Continued)

<u>2022</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	47,117	(25,107)	(85,587)

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

<u>2023</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	(80,474)	(25,107)	42,905

<u>2022</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	251,218	348,167	455,415

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

N. Risk Management:

The District insures against significant losses by commercial insurance. There have been no significant reductions in insurance coverage.

O. The District generates approximately 96% of its revenues from water sales. Of the water sold, approximately, 99% is purchased from the Lebanon Water Works, a division of the City of Lebanon.

P. Lease:

The District is committed under a noncancellable operating lease for computers that began July 2022 for 60 months with a monthly payment amount of \$1,507. The total lease liability measured at present value is \$83,974. The ending balance at December 31, 2023 is \$27,200. The District has recognized an intangible right of use asset for the terms of the lease but the District will not acquire the equipment at the end of the lease. Annual requirements to amortize long-term obligations and related interest are as follows:

Year	Principal	Interest
2024	17,929	857
2025	<u>9,271</u>	<u>122</u>
Total	<u>27,200</u>	<u>979</u>

The following assets and amortization have been recognized.

Notes to Financial Statements (Continued)

Intangible Right of Use Asset – Computers	\$ 83,974
Accumulated Amortization	<u>(58,782)</u>
Net Ending Balance	<u>25,192</u>

Q. Commitment:

The District is updating its customer meters and has also installed several zone meters. It is anticipated that the cost to complete this project will be at least \$974,618, which are the construction loan proceeds available for the project.

R. Subsequent Events:

Management has reviewed subsequent events through March 27, 2024, the date the financial statements were available for release. There were no additional subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY
INFORMATION

MARION COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net pension liability	0.011876%	0.011539%	0.011706%	0.012698%	0.012420%	0.014009%	0.015658%	0.017645%	0.018185%
District's proportionate share of the net pension liability \$	510,592	568,124	685,188	773,347	873,504	1,074,479	998,320	1,275,559	1,166,842
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-	-	-	-	-
TOTAL	<u>\$ 510,592</u>	<u>568,124</u>	<u>685,188</u>	<u>773,347</u>	<u>873,504</u>	<u>1,074,479</u>	<u>998,320</u>	<u>1,275,559</u>	<u>1,166,842</u>
District's covered-employee payroll	\$ 282,035	274,311	298,547	318,096	314,539	397,011	453,879	479,344	587,418
District's proportionate share of the net pension liability as a percentage of its covered-payroll	181.04%	207.09%	229.51%	243.12%	277.71%	270.64%	219.95%	266.11%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	65.96%	63.46%	55.50%	49.26%	50.45%	47.81%	57.33%	52.42%	104.23%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 37,318	\$ 34,501	\$ 39,483	\$ 48,852	\$ 55,999	\$ 77,253	\$ 92,345	\$ 106,946	\$ 137,274
Contributions in relation to the actuarially determined contributions	<u>37,318</u>	<u>34,501</u>	<u>39,483</u>	<u>48,852</u>	<u>55,999</u>	<u>77,253</u>	<u>92,345</u>	<u>106,946</u>	<u>137,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 282,035	\$ 274,311	\$ 298,547	\$ 318,096	\$ 314,539	\$ 397,011	\$ 453,879	\$ 479,344	\$ 587,418
Contributions as a percentage of Covered employee payroll	13.23%	12.58%	13.23%	15.36%	17.76%	19.46%	20.35%	22.31%	23.37%

Note: Marion County Water District operates on an annual basis. The County Employees Retirement System rate typically changes each July 1. The rate listed for each year is a blended rate based on contributions paid as a percentage of covered payroll.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net OPEB liability	0.012697%	0.012420%	0.014005%	0.015655%	0.017642%	0.018185%
District's proportionate share of the net OPEB liability	225,433	208,832	338,178	299,707	348,167	(25,107)
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-	-
TOTAL	<u><u>225,433</u></u>	<u><u>208,832</u></u>	<u><u>338,178</u></u>	<u><u>299,707</u></u>	<u><u>348,167</u></u>	<u><u>(25,107)</u></u>
District's covered-employee payroll	318,096	314,539	397,011	453,879	479,344	587,418
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	70.87%	66.33%	85.18%	66.03%	72.63%	-4.27%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%	60.95%	57.48%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY WATER DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 15,849	\$ 15,736	\$ 18,898	\$ 24,193	\$ 21,845	\$ 9,665
Contributions in relation to the actuarially determined contributions	<u>15,849</u>	<u>15,736</u>	<u>18,898</u>	<u>24,193</u>	<u>21,845</u>	<u>9,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 318,096	\$ 314,539	\$ 397,011	\$ 453,879	\$ 479,344	\$ 587,418
Contributions as a percentage of Covered employee payroll	4.98%	5.01%	4.76%	5.33%	4.56%	1.65%

Note: Marion County Water District operates on an annual basis. The County Employees Retirement System rate typically changes each July 1. The rate listed for each year is a blended rate based on contributions paid as a percentage of covered payroll.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET PENSION LIABILITY

NOTE A – CHANGES OF ASSUMPTIONS

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

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

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

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 Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation.

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

2018

There were no changes of assumptions for the year ended June 30, 2018.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

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

2020

Salary increases changed to 3.3% to 10.3%, varying by service for CERS Non-Hazardous.

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET PENSION LIABILITY (CONTINUED)

2021

There were no changes of assumptions for the year ended June 30, 2021.

2022

There were no changes of assumptions for the year ended June 30, 2022.

2023

The inflation rate was changed from 2.3% to 2.5%.

The single discount rate increased to 5.7%.

The investment return rate was increased to 6.5%.

The base mortality rate table was updated using the mortality experience of non-disabled retirees through June 30, 2022.

The complete list of assumptions are available on the Kentucky Retirement Systems' website in a report titled "CERS: 2022 Actuarial Experience Study for the Period Ending June 30, 2022". The following website is provided for reference: <https://www.kyret.ky.gov/Publications/Pages/Experience-Studies.aspx>

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013-June 30, 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, 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	2.0% for CERS Non-Hazardous and Hazardous
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 Increase	3.30% to 10.30%, varies by service for CERS Non-Hazardous;
Investment Rate of Return	6.25%
Phase-In Provision	Board certified rate is phase into the actuarially determined rate in accordance with HB 362 enacted in 2018

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension for non-hazardous employees.

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET OTHER POST EMPLOYMENT BENEFITS LIABILITY

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

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

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

2021

The discount rate was changed to 5.20% from 5.34%.

The health care trends changed from to an initial rate of 6.4% from 6.3%.

2022

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year from 5.20% at June 30, 2021 to 5.70% at June 30, 2022.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan’s anticipated long-term healthcare costs. There were no other material assumption changes.

2023

The inflation rate was changed from 2.3% to 2.5%.

The single discount rate increased to 5.93%.

The investment return rate was increased to 6.5%.

The base mortality rate table was updated using the mortality experience of non-disabled retirees through June 30, 2022.

The complete list of assumptions are available on the Kentucky Retirement Systems' website in a report titled "CERS: 2022 Actuarial Experience Study for the Period Ending June 30, 2022". The following website is provided for reference: <https://www.kyret.ky.gov/Publications/Pages/Experience-Studies.aspx>

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET OTHER POST EMPLOYMENT BENEFITS LIABILITY

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, close 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% for CERS Non-Hazardous and Hazardous 0.0% for KERS Non-Hazardous and Hazardous
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 Increase	3.30% to 10.30%, varies by service for CERS Non-Hazardous;
Investment Rate of Return	6.25 %
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

NOTE C – CHANGES OF BENEFITS

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, was determined using these updated benefit provisions. There were no other material plan provision changes. There were no changes of benefits for the year ended June 30, 2023.

**SUPPLEMENTARY
INFORMATION**

Marion County Water District
Lebanon, Kentucky

Schedules of Operating and Maintenance Expenses
Years Ended December 31, 2023 and 2022

	<u>2023</u>	Percent of Revenue	<u>2022</u>	Percent of Revenue
Source of Supply Expense				
Purchased Water	2,043,513	50.1%	2,240,840	59.7%
Pumping Expense				
Fuel or Power Purchased for Pumping	38,470	0.9%	42,140	1.1%
Transmission & Distribution Expense				
Salaries	294,585	7.2%	257,658	6.9%
Operation Supplies & Expense	91,774	2.3%	86,914	2.3%
Maintenance	183,285	4.5%	147,839	3.9%
Total Transmission & Distribution Expense	569,644	14.0%	492,411	13.1%
Customer Accounts Expense				
Salaries	205,735	5.0%	162,204	4.3%
Contractual Services - Meter Reading	23,938	0.6%	23,767	0.6%
Supplies & Expense	71,874	1.8%	66,329	1.8%
Uncollectible Accounts	6,786	0.2%	40	0.0%
Total Customer Accounts Expense	308,333	7.6%	252,340	6.7%
Administrative & General Expense				
Administrative & General Salaries	36,833	0.9%	34,685	0.9%
Office Supplies & Other Expense	27,678	0.7%	21,287	0.6%
Outside Service Employed	14,246	0.3%	17,575	0.5%
Insurance	50,069	1.2%	41,576	1.1%
Employee Benefits & Payroll Taxes	105,863	2.6%	175,106	4.7%
Pension Expense	183,413	4.5%	214,150	5.7%
Regulatory Commission Expense	4,910	0.1%	4,962	0.1%
Regulatory Department of Local Gov't	500	0.0%	500	0.0%
Miscellaneous	11,884	0.3%	14,711	0.4%
Total Administrative & General Expense	435,396	10.7%	524,552	14.0%
Total Operating & Maintenance Expense	<u>3,395,356</u>	<u>83.3%</u>	<u>3,552,283</u>	<u>94.7%</u>

See accompanying accountants' report.

DESIGNATION OF BOND: "Marion County Water District, Water System Revenue Bond, Taxable Series of 2009 (Build America Bonds-Direct Payment to Issuer)," Numbered R-1

AMOUNT DUE: \$ 1,194,000

CHARACTER OF BOND: Single, non-negotiable bond in fully registered form, payable to the United States Department of Agriculture, Rural Development, as specifically provided in that certain Resolutions adopted by the Commission of Marion County Water District on October 20, 2009, and May 11, 2010.

DATE: June 9, 2010

DENOMINATION: \$ 1,433,000

PAYABLE AS TO PRINCIPAL IN ANNUAL INSTALLMENTS ON JANUARY 1 OF THE RESPECTIVE YEARS AS FOLLOWS:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2024	27,000	2038	44,000
2025	28,000	2039	46,000
2026	29,000	2040	47,000
2027	30,000	2041	49,000
2028	31,000	2042	51,000
2029	32,000	2043	53,000
2030	33,000	2044	55,000
2031	34,000	2045	57,000
2032	36,000	2046	59,000
2033	37,000	2047	61,000
2034	38,000	2048	63,000
2035	40,000	2049	65,000
2036	41,000	2050	65,000
2037	43,000		

INTEREST RATE: Three and twenty-five hundredths percentum (3.25%) per annum payable semiannually on each January 1 and July 1, beginning June 1, 2013, to maturity of principal.

See accompanying accountant's report.

MARION COUNTY WATER DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2023

There were no prior year audit findings.

WHITE AND COMPANY, P.S.C.

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

March 27, 2024

To the Commissioners of the
Marion County Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the general purpose financial statements of Marion County Water District, Lebanon, Kentucky as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Marion County Water District's basic financial statements and have issued our report thereon dated March 27, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
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March 27, 2024

To the Commissioners of the
Marion County Water District

We have audited the general-purpose financial statements of the Marion County Water District, Lebanon, Kentucky for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 11, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Marion County Water District are described in Note A to the financial statements. As described in Note A to the financial statements, the District adopted Statement of Governmental Accounting Standards No. 96, Subscription-Based Information Technology Arrangements in 2023. We noted no transactions entered into by Marion County Water District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets for computation of depreciation. We evaluated the key factors and assumptions used to develop the computation of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 27, 2024

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and the Schedule of District's Proportionate Share of Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedules of Operating and Maintenance Expenses and Schedule of Bond Retirements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the schedules of the water district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 31 & 33 or on the schedules of contributions to the County Employees Retirement System or other post-employment benefit plans on pages 32 & 34, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restrictions on Use

This information is intended solely for the use of the Commissioners of Marion County Water District and management of Marion County Water District as is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants