

MORGAN COUNTY WATER DISTRICT
West Liberty, Kentucky

FINANCIAL STATEMENTS
December 31, 2024

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Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Morgan County Water District
West Liberty, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Morgan County Water District (the District) as of and for the year ended December 31, 2024, 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 Morgan County Water District, as of December 31, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Morgan County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and OPEB schedules on pages 25-31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
October 10, 2025

MORGAN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2024

ASSETS

Current assets	
Cash	\$ 149,695
Accounts receivable, net	339,813
Prepaid expenses	<u>18,620</u>
Total current assets	<u>508,128</u>
Noncurrent assets	
Restricted cash	124,893
Net OPEB asset	<u>25,897</u>
Total noncurrent assets	<u>150,790</u>
Property, plant, and equipment	
Land	203,502
Property, plant and equipment, net	18,838,236
Leased buildings, net	367,767
Leased vehicles, net	<u>71,857</u>
Total property, plant, and equipment	<u>19,481,362</u>
Total assets	<u>20,140,280</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	174,030
Deferred outflows - OPEB	<u>118,762</u>
Total deferred outflows of resources	<u>292,792</u>
Total assets and deferred outflows of resources	<u>\$ 20,433,072</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 631,064
Accrued salaries	7,425
Other accrued liabilities	8,295
Accrued interest	63,368
Customer deposits	46,950
Lease payable - current	21,291
Loans payable - current	374,893
Bonds payable - current	<u>126,320</u>
Total current liabilities	<u>1,279,606</u>
Long-term Liabilities	
Compensated absences	12,842
Net pension liability	894,492
Lease payable	50,563
Loans payable	1,932,830
Bonds payable	<u>3,254,545</u>
Total long-term liabilities	<u>6,145,272</u>
Total liabilities	<u>7,424,878</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	126,770
Deferred inflows - OPEB	<u>255,047</u>
Total deferred inflows of resources	<u>381,817</u>

NET POSITION

Net investment in capital assets	13,720,920
Restricted for debt service	121,070
Restricted for depreciation reserve	3,509
Restricted for construction	50
Unrestricted	<u>(1,219,172)</u>
Total net position	<u>12,626,377</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,433,072</u>

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

MORGAN COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2024

OPERATING INCOME

Water collection	\$ 2,208,760
Miscellaneous	<u>76,614</u>
Total operating income	<u>2,285,374</u>

OPERATING EXPENSES

Advertising	1,120
Bank charges	9,136
Depreciation and amortization	594,694
Fuel	32,762
Insurance	133,312
Miscellaneous	17,652
Office supplies	10,403
Contractual services	160,864
Payroll taxes	39,209
Postage	23,514
Repairs and maintenance	24,925
Leasing and maintenance fees	17,836
Retirement	149,955
Salaries	453,107
Supplies and testing	130,818
Travel	13,050
Uniforms	12,844
Utilities and telephone	63,243
Water purchased	709,065
Worker's compensation	<u>12,630</u>
Total operating expense	<u>2,610,139</u>

NET OPERATING (LOSS) (324,765)

Non-operating income (expense)	
Interest and amortization expense	(165,535)
Interest income	<u>2,190</u>
Total non-operating income (expense)	<u>(163,345)</u>

(LOSS) BEFORE CAPITAL CONTRIBUTIONS (488,110)

Capital contributions	
Tap-on fees	53,855
Loan forgiveness proceeds	<u>1,000,000</u>
Total capital contributions	<u>1,053,855</u>

Change in net position	565,745
Net position, beginning of year, restated	<u>12,060,632</u>

NET POSITION, END OF YEAR \$ 12,626,377

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

MORGAN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
for the year ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,175,492
Payments to suppliers	(1,015,815)
Payments for employee services and benefits	<u>(699,964)</u>
Net cash and cash equivalents provided by operating activities	<u>459,713</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on debt	(191,341)
Acquisition and construction of capital assets	(127,768)
Capital contributions	53,855
Interest on long-term debt	<u>(165,841)</u>
Net cash and cash equivalents (used in) capital and related financing activities	<u>(431,095)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2,190</u>
Net cash and cash equivalents provided by investing activities	<u>2,190</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

30,808

Cash and cash equivalents, beginning of year

243,780

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 274,588

Reconciliation of operating (loss) to net cash and cash equivalents provided by operating activities:

Operating (loss)	\$ (324,765)
Noncash items included in operating income:	
Depreciation and amortization	594,694
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(106,061)
(Increase) decrease in prepaid expenses	(11,208)
Increase (decrease) in accounts payable	355,937
Increase (decrease) in payroll and benefits	(36,372)
Increase (decrease) in customer deposits	(3,821)
Increase (decrease) in accrued compensated absences	<u>(8,691)</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 459,713</u>

Supplemental disclosure of cash flow information

Components of cash on the Statement of Net Position

Cash and cash equivalents	\$ 149,695
Restricted cash	<u>124,893</u>
	<u>\$ 274,588</u>

Non-cash capital and related financing activities

Contributed capital	<u>\$ 1,000,000</u>
Net change in capital assets payable	<u>\$ 180,478</u>

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

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

1. ORGANIZATION AND ACCOUNTING POLICIES

This summary of significant accounting policies of the Morgan County Water District (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who are responsible for their integrity and objectivity. These accounting policies, as applied to the aforementioned financial statements, conform to generally accepted accounting principles applicable to governmental units.

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

Organization & Activity

The Morgan County Water District was created in accordance with Chapter 74 of the Kentucky Revised Statutes in February 1992. The purpose of the District is to provide water service to residents of Morgan County.

Financial Reporting Entity

The District complies with GASB Statements No. 14, "The Financial Reporting Entity" and No. 39, "Determining Whether Certain Organizations Are Component Units." These Statements establish standards for defining and reporting on the financial reporting entity. They define component units as legally separate organizations for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is not considered a component unit of any other governmental unit for financial reporting purposes.

The District considered all potential component units in determining what organizations should be included in its financial statements. Based on an evaluation of the established criteria, management determined that there were no component units to include in the District's financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements provide information about the District's business-type activities. The financial statements for the business-type activities are also often referred to as enterprise fund financial statements.

"Measurement Focus" is an accounting term used to describe which transaction and types of balances are recorded within the various financial statements. The expression, "Basis of Accounting," refers to when transactions or events are recorded regardless of measurement focus applied.

Because of the "businesslike" characteristics of the District's operations, the accompanying financial statements report the economic resources measurement focus and the accrual basis of accounting. The accounting objective of the "economic resources" measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

1. ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District utilizes an enterprise fund to record its financial operating activities. In governmental accounting, the enterprise fund is used to account for operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As the means for delivering services to its customers, the District utilizes an office building, infrastructure, office equipment, equipment and vehicles. To provide the resources that are necessary to pay for water services and the related support functions, the District charges its customers monthly user fees, which are based on the specific level of services that they are receiving. Because the operations of the District closely mirror those of a typical, commercial company, its accounting records reflect a similar approach for measuring its business activity.

The District's various bond resolutions or ordinances require the establishment of certain accounts, which are referred to as "funds." These required accounts are maintained as part of accounting records of the Water Fund. They include the Sinking Fund (Debt Service), Revenue Fund and Depreciation Reserve Fund (Repairs and Maintenance). These are not "funds" as the term is used in generally accepted accounting principles, but are separate "accounts" used to delineate the accounting and reporting for bond related money and repayment security requirements. The balances and activity that occur in these various accounts represent specific segments of the Water Utility enterprise fund as reported in the District's financial statements.

The enterprise fund used by the District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's ongoing operations. The principal operating revenues are charges to customers for sales and services that are provided to them. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgeting

The District prepares annual operating budgets for the managerial control of expenditures and for the monitoring of cash flows during the fiscal year. Project-length budgets, which generally encompass more than one fiscal year, are also prepared for major construction projects. Both the operating and project-length expenditure plans are prepared on the cash basis of accounting, which significantly differs from the accrual basis of accounting that the District uses in the preparation of its financial statements.

These managerial budgets that are prepared for operations each year or at the inception of a major construction project are not adopted by the Board as legally imposed restrictions on expenditures. Basically, the operating budgets provide management with a tool for estimating and monitoring cash flows in each fiscal period.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

1. ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

Accounts and Unbilled Receivables

Accounts receivable is stated net of the allowance for doubtful accounts. Unbilled receivables represent income earned during the current year but not yet billed to the customer. The billing mailed December 23rd is for customer usage from approximately November 16th through December 15th. The entire amount is considered accounts receivable as of December 31st. The billing mailed on January 26th of the subsequent year is for usage from approximately December 16th through January 15th. Fifty percent of this billing is considered unbilled receivables at December 31st.

An allowance for doubtful accounts has been established for utility accounts receivables that are 30+ days delinquent at year-end. Bills are due by the tenth of each month. Nonpayment within thirty days from the mail date located on the bill will result in the water being shut off from the user's property. Customer deposits held are applied to outstanding bills.

Property, Plant and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water distribution systems and similar items) are reported as a component of noncurrent assets in the basic financial statement. Capital assets are generally defined by the District as being those assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The reported value excludes the costs of normal maintenance and repairs that are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Depreciation is charged as an expense against operations. Capital assets of the District are depreciated using the straight-line method over their estimated useful lives in years as set forth as follows.

<u>Category</u>	<u>Life in years</u>
Buildings and Improvements	20-40
Equipment and Vehicles	5-25
Water Lines	50-75
Office Equipment	5-25
Meters and Meter Pits	20-60
Hydrants	40-60

Depreciation and amortization expense of \$594,694 was recognized on proprietary fund assets, including leased assets, during the year ended December 31, 2024.

Cash and Cash Equivalents

For the purpose of these financial statements, cash and cash equivalents consist of unrestricted and restricted cash on hand, demand and savings deposits, and certificates of deposit.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

1. ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

Inventory and Prepaid Items

The District does not maintain an inventory of supplies. Supplies are purchased as needed.

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

Restricted Net Position

Some of the District's assets have certain constraints that have been placed on how they can be used. By definition, restricted assets are cash or other assets, whose use in whole or in part are restricted for specific purposes bound by virtue of contractual agreements, legal requirements or enabling legislation.

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The "debt service" accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The "depreciation reserve" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals, replacements and extensions.

Use of Estimates

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

Federal Income Tax

The District is exempt from federal income tax.

Change in Accounting Policy

Effective January 1, 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. These changes were incorporated in the District's December 31, 2024, financial statements. See Note 12 for the effect on the beginning net position of the District as a result of implementing GASB Statement No. 101.

Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through October 10, 2025 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2024, have not been evaluated by the District.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

2. DEPOSITS

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest. The District's deposits at December 31, 2024, were entirely covered by Federal Depository Insurance.

3. RESTRICTED CASH

Bond Sinking Funds

Deposits into Bond Sinking Funds are required to be made monthly in order to accumulate funds for payment of bond principal and interest. At December 31, 2024, \$101,523 was required to be on deposit to meet payments of interest and principal due on bonds at January 1, 2025. The balance in these accounts at December 31, 2024 was \$121,070.

Depreciation Reserve

The Depreciation Reserve Account is not being maintained as required in various bond documents. The District was required to deposit \$85 per month into the account, however, monthly deposits were not made. The District had \$3,509 on deposit in this account for the purpose of maintaining the water system at December 31, 2024.

Restricted Cash Accounts

The District is required to maintain special deposit accounts for customer deposits, construction projects, and long-term debt obligations. The following is a listing of restricted cash accounts of the District at December 31, 2024:

Restricted Balances

Bond Sinking Fund	\$ 121,070
Depreciation Reserve	3,509
Surcharge Account	114
Construction Account	50
Emergency Savings	<u>150</u>
Totals	<u>\$ 124,893</u>

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

4. CAPITAL ASSETS

The following is a summary of capital asset activity during the year ended December 31, 2024:

	Balance 12/31/2023	Additions	Disposals	Balance 12/31/2024
Capital assets not depreciated:				
Construction in progress	\$ 3,190,795	\$ -	\$ (3,190,795)	\$ -
Land and land rights	<u>203,502</u>	<u>-</u>	<u>-</u>	<u>203,502</u>
Total non-depreciable assets	<u>3,394,297</u>	<u>-</u>	<u>(3,190,795)</u>	<u>203,502</u>
Capital assets being depreciated:				
Property, plant and equipment	24,506,644	3,372,318	-	27,878,962
Leased buildings	423,361	-	-	423,361
Leased vehicles	<u>127,739</u>	<u>-</u>	<u>-</u>	<u>127,739</u>
Total depreciable assets	<u>25,057,744</u>	<u>3,372,318</u>	<u>-</u>	<u>28,430,062</u>
Less: accumulated depreciation	8,471,987	568,739	-	9,040,726
Less: accumulated amortization	<u>85,521</u>	<u>25,955</u>	<u>-</u>	<u>111,476</u>
Depreciable assets, net	<u>16,500,236</u>	<u>2,777,624</u>	<u>-</u>	<u>19,277,860</u>
Total capital assets, net	<u>\$ 19,894,533</u>	<u>\$ 2,777,624</u>	<u>\$ (3,190,795)</u>	<u>\$ 19,481,362</u>

5. LONG-TERM DEBT

The following is a summary of the bonds and loans outstanding for the District for the year ended December 31, 2024:

Bonds and Loans

\$332,000 Water revenue bonds, Series 2001, maturing through January 1, 2040, with interest at 3.25 percent	\$ 189,000
\$1,000,000 Water revenue bonds, Series 2006, maturing through January 1, 2045, with interest at 4.125 percent	729,000
\$1,446,000 Water revenue bonds, Series 2008, maturing through January 1, 2048, with interest at 4.125 percent	1,144,020
\$315,000 Water revenue bonds, Series 2021 CLSS, maturing through January 1, 2061, with interest at 1.125%	295,500
\$1,330,000 KRWFC revenue bonds, Series 2016 D, maturing through January 1, 2042 with interest varied from 3.5% - 5%	990,000
Bank of the Mountains Note, \$24,801 maturing through January 22, 2025, with interest at 4.50 percent	20,344
Bank of the Mountains Note, \$28,027 maturing through September 11, 2025, with interest at 5.75 percent	28,027

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

5. LONG-TERM DEBT (CONTINUED)

Bonds and Loans, continued

Bank of the Mountains Note, \$127,426 maturing through September 11, 2025, with interest at 5.75 percent	127,426
Gateway Area District Development Note, \$150,000 maturing through May 4, 2025, with interest at 2.00 percent	133,745
Kentucky Infrastructure Authority Note, \$3,030,795 maturing through June 1, 2054, with interest at 0.25 percent	1,998,181
Bond premiums	<u>33,345</u>
Totals	5,688,588
Less: current portion of debt	<u>(501,213)</u>
Long-term debt	<u>\$ 5,187,375</u>

Bond Collateralization and Event of Default Consequence

According to Bond documents, the Bonds shall be payable solely out of the gross revenues of the District. In addition to the revenue pledge securing the Bonds, a lien is created and granted in favor of the Bond owners on all contracts and on all other rights of the District pertaining to the District. Upon the occurrence of an Event of Default, and upon the filing of a suit by any Owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer said District on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the prior Bonds and the Current Bonds and to provide and apply the income and revenues in conformity with the Resolution and with the laws of the Commonwealth of Kentucky.

Bond Refunding

On November 30, 2016, the District entered an assistance agreement with Kentucky Rural Water Finance Corporation in the amount of \$1,330,000 for the purpose of refinancing and currently refunding certain obligations of the District in order to affect substantial debt service savings. The following bond series were refunded: Series A 1993, Series B 1993, Series 1995, Series 1999, Series 2002, and Series 2003. A bond premium of \$52,101 will be amortized over the 25-year term of the bond at \$2,084 per year. At December 31, 2024, the bond premium, net of accumulated amortization of \$18,756, is \$33,345.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

5. LONG-TERM DEBT (CONTINUED)

Debt Service Requirements

The annual requirements to amortize all bonds as of December 31, 2024, according to the bond documents, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Fees	Payment
2025	\$ 126,320	\$ 124,455	\$ 900	\$ 251,675
2026	129,010	119,293	900	249,203
2027	136,750	113,924	900	251,574
2028	139,040	108,646	900	248,586
2029	142,380	103,273	900	246,553
2030-2034	763,070	433,642	4,500	1,201,212
2035-2039	741,970	296,010	4,500	1,042,480
2040-2044	688,980	150,588	1,800	841,368
2045-2049	371,000	38,421	-	409,421
2050-2054	44,000	4,911	-	48,911
2055-2059	46,500	2,364	-	48,864
2060-2061	<u>18,500</u>	<u>206</u>	<u>-</u>	<u>18,706</u>
	<u>3,347,520</u>	<u>\$ 1,495,733</u>	<u>\$ 15,300</u>	<u>\$ 4,858,553</u>
Premium on refunding	<u>33,345</u>			
	<u>\$ 3,380,865</u>			

The annual requirements to amortize direct borrowing loans outstanding as of December 31, 2024 are as follows:

Year Ending December 31,	Principal	Interest	Fees	Payment
2025	\$ 374,893	\$ 16,422	\$ 4,955	\$ 396,270
2026	65,515	4,791	4,791	75,097
2027	65,678	4,627	4,627	74,932
2028	65,843	4,463	4,463	74,769
2029	66,007	4,298	4,298	74,603
2030-2034	332,522	19,006	19,006	370,534
2035-2039	336,702	14,826	14,826	366,354
2040-2044	340,935	10,594	10,594	362,123
2045-2049	345,220	6,308	6,308	357,836
2050-2054	<u>314,408</u>	<u>1,968</u>	<u>1,968</u>	<u>318,344</u>
	<u>\$ 2,307,723</u>	<u>\$ 87,303</u>	<u>\$ 75,836</u>	<u>\$ 2,470,862</u>

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

5. LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2024:

	Balance Jan. 1, 2024	Additions	Retirements	Balance Dec. 31, 2024	Due within one year
Bond payable	\$ 3,467,700	\$ -	\$ (120,180)	\$ 3,347,520	\$ 126,320
Premium on refunding	35,429	-	(2,084)	33,345	-
Loans payable	3,355,120	-	(1,047,397)	2,307,723	374,893
Lease liability	93,534	-	(21,680)	71,854	21,291
Net pension liability	999,243	-	(104,751)	894,492	-
Compensated absences	<u>38,940</u>	<u>-</u>	<u>(26,098)</u>	<u>12,842</u>	<u>-</u>
Total long-term liabilities	<u>\$ 7,989,966</u>	<u>\$ -</u>	<u>\$ (1,322,190)</u>	<u>\$ 6,667,776</u>	<u>\$ 522,504</u>

For the year ended December 31, 2024 the net OPEB liability is presented as a net OPEB asset on the Statement of Net Position.

6. LEASE LIABILITY

On February 19, 2013, the District has entered into two lease agreements as lessee with the Morgan County Fiscal Court for the use of 2,500 square feet of office space at 1009 Hwy 172, West Liberty, Kentucky 41472 and 2,500 square feet of office and storage space at 150 County Garage Road, West Liberty, Kentucky 41472. The lease terms for the office spaces are ninety-nine years. In 2012, the District prepaid \$423,364 in full payment of all future lease payments. Amortization expense for leased office space during 2024 totaled \$4,277. As a result of prepaying all future lease payments, the District has no remaining lease liability associated with this lease as of December 31, 2024.

On August 29, 2017, the District entered into a master lease agreement with Enterprise FM Trust. The agreement allows the District to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases is 60 months. The interest rates for the vehicle leases ranges from 12.94-14.24%. The District did not enter into any new lease agreements for vehicles during the year ended December 31, 2024. The balance of the liability related to the vehicle leases as of December 31, 2024 totaled \$71,854. Amortization expense for leased vehicles during 2024 totaled \$21,680.

The annual principal and interest requirements to maturity for the lease liability is as follows:

Year Ended	Principal	Interest	Total
2025	\$ 21,291	\$ 8,603	\$ 29,894
2026	24,442	5,452	29,894
2027	22,665	1,898	24,563
2028	<u>3,456</u>	<u>113</u>	<u>3,569</u>
	<u>\$ 71,854</u>	<u>\$ 16,066</u>	<u>\$ 87,920</u>

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

7. RETIREMENT PLAN

The Morgan County Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

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

Contributions – For the year ended December 31, 2024, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1.00% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2024, participating employers contributed 23.34% through June 30th and 19.71% thereafter, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 8. Plan members contributed 23.34% through June 30th and 19.71% thereafter to the pension trust for non-hazardous job classifications for the year ended December 31, 2024. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1.00% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$100,666 for the year ended December 31, 2024, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

7. RETIREMENT PLAN (CONTINUED)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and 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.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2024, the District reported a liability for its proportionate share of the total net pension liability of \$894,492. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the District's proportion was 0.014957 percent, which was a decrease of 0.000616 percent from its proportion measured as of June 30, 2023.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

7. RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2024, the District would have recognized pension expense of \$191,548. During 2024, the District recognized the actuarially determined contribution of \$100,666 as the current year pension expense. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 43,295	\$ -
Changes of assumptions	-	40,413
Net difference between projected and actual earnings on Plan investments	-	57,512
Changes in proportion and differences between District contributions and proportionate share of contributions	96,005	28,845
District contributions subsequent to the measurement date	<u>34,730</u>	<u>-</u>
Total	<u>\$ 174,030</u>	<u>\$ 126,770</u>

The \$34,730 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources as of December 31, 2024 will be recognized in pension expense as follows:

Year ending December 31,	
2025	\$ 42,085
2026	\$ 5,370
2027	\$ (22,108)
2028	\$ (12,817)

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

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

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

The actuarial assumption used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

7. RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. As of December 31, 2024, the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

Discount Rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.50%	\$ 1,153,146
Current discount rate	6.50%	\$ 894,492
1% increase	7.50%	\$ 679,877

Payable to the Pension Plan – At December 31, 2024, the District reported a payable of \$5,914 for the outstanding amount of contributions to the pension plan required for the year ended. The payable includes both the pension and insurance contribution allocation.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2024, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended December 31, 2024, the District contributed \$0, or 100% of the required contribution for non-hazardous job classifications.

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

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

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

OPEB Liabilities (Assets), Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2024, the District reported an asset for its proportionate share of the net OPEB asset of \$25,897. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023 and was rolled forward using generally accepted actuarial procedures.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

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

The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2024 was 0.014971 percent, which was a decrease of 0.000602 percent from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the District would have recognized OPEB expense of \$(57,231). During 2024, the District recognized the actuarially determined contribution of \$0 as the current year pension expense. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 14,367	\$ 203,757
Changes of assumptions	23,466	18,273
Net difference between projected and actual earnings on Plan investments	-	23,632
Changes in proportion and differences between District contributions and proportionate share of contributions	73,909	9,385
District contributions subsequent to the measurement date	<u>7,020</u>	<u>-</u>
Total	<u>\$ 118,762</u>	<u>\$ 255,047</u>

The \$7,020 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2025. This includes an adjustment of \$7,020 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending December 31,

2025	\$ (55,337)
2026	\$ (41,307)
2027	\$ (42,844)
2028	\$ (3,817)

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

Non-hazardous

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

Healthcare Trend Rates

Pre – 65 Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

Post – 65 Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

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

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

The actuarial assumption used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income	20.00%	
Core Bonds	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

Discount Rate – The discount rate used to measure the total OPEB liability (asset) as of June 30, 2024 was 5.99% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2024, the discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

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

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

	Discount rate	Proportionate share of net OPEB liability (asset)
1% decrease	4.99%	\$ 35,015
Current discount rate	5.99%	\$ (25,897)
1% increase	6.99%	\$ (77,112)

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

	Proportionate share of net OPEB liability (asset)
1% decrease	\$ (62,305)
Current trend rate	\$ (25,897)
1% increase	\$ 16,516

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

9. COMPENSATED ABSENCES

Upon termination of employment from the District, an employee who has been an employee of the District for a total of twelve months or more shall be compensated for a maximum of twenty days of accrued annual leave. Employees accumulate annual leave per pay period at a variable rate dependent on years of service. Employees employed less than six months upon termination will not be compensated for accrued annual leave, unless approved by the Water District Manager. Annual leave accrued as of December 31, 2024 is \$12,842.

10. CAPITAL CONTRIBUTIONS

The District received \$53,855 of tap fees and recognized \$1,000,000 of loan forgiveness income during the year ended December 31, 2024 for capital project expenditures incurred during the year ended December 31, 2023.

11. INSURANCE COVERAGE

For the year ended December 31, 2024, the District was a member of the Kentucky Association of Counties All Lines Insurance Fund (KALF). KALF is a self- insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses. There have been no settlements that have exceeded insurance coverage for each of the past three years.

**MORGAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

12. RESTATEMENT OF NET POSITION

During 2024, the District implemented GASB Statement No. 101, *Compensated Absences*, as described more fully in Note 1. As outlined in GASB Statement No. 101, accrued compensated absences were restated for remeasurement of accrued vacation leave, accrued sick leave and the employer portion of FICA and Medicare taxes related to compensated absences for the beginning impact on the year ended December 31, 2024. This resulted in a restatement of beginning net position as follows:

Net position, beginning of 2024	\$ 12,078,018
Restatement for GASB 101	<u>(17,386)</u>
Net position, beginning of 2024, restated	<u>\$ 12,060,632</u>

13. SUBSEQUENT EVENT

In July 2025, the District entered into a promissory note agreement for \$58,600 to purchase equipment. The note bears interest at a rate of 5.75% and is set to mature on July 3, 2030.

REQUIRED SUPPLEMENTARY INFORMATION

**MORGAN COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years**

Reporting Year End (Measurement Date)	December 31, 2015 (June 30, 2015)	December 31, 2016 (June 30, 2016)	December 31, 2017 (June 30, 2017)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)	December 31, 2022 (June 30, 2022)	December 31, 2023 (June 30, 2023)	December 31, 2024 (June 30, 2024)
District's proportion of the net pension liability	0.007105%	0.006721%	0.006825%	0.007287%	0.006908%	0.007900%	0.009016%	0.010999%	0.015573%	0.014957%
District's proportionate share of the net pension liability (asset)	\$ 305,472	\$ 330,925	\$ 399,488	\$ 443,801	\$ 485,843	\$ 605,923	\$ 574,841	\$ 795,119	\$ 999,243	\$ 894,492
District's covered employee payroll	\$ 175,555	\$ 162,411	\$ 169,633	\$ 185,528	\$ 179,554	\$ 208,314	\$ 256,031	\$ 332,812	\$ 501,525	\$ 520,390
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	174.00%	203.76%	235.50%	239.21%	270.58%	290.87%	224.52%	238.91%	199.24%	171.89%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	53.54%	51.67%	57.33%	52.42%	57.48%	61.61%

**MORGAN COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
CONTRIBUTIONS - PENSION
Last Ten Calendar Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 21,212	\$ 19,095	\$ 23,180	\$ 26,151	\$ 28,262	\$ 39,056	\$ 44,445	\$ 69,286	\$ 105,781	\$ 100,666
Contributions relative to contractually required employer contribution	<u>21,212</u>	<u>19,095</u>	<u>23,180</u>	<u>26,151</u>	<u>28,262</u>	<u>39,056</u>	<u>44,445</u>	<u>69,286</u>	<u>105,781</u>	<u>100,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 175,555	\$ 162,411	\$ 169,633	\$ 185,528	\$ 179,554	\$ 208,314	\$ 256,031	\$ 332,812	\$ 501,525	\$ 458,706
Employer contributions as a percentage of covered-employee payroll	12.08%	11.76%	13.66%	14.10%	15.74%	18.75%	17.36%	20.82%	21.09%	21.95%

**MORGAN COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY / (ASSET)
Last Eight Fiscal Years**

Reporting Year End (Measurement Date)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)	December 31, 2022 (June 30, 2022)	December 31, 2023 (June 30, 2023)	December 31, 2024 (June 30, 2024)
District's proportion of the net OPEB liability (asset)	0.007826%	0.006914%	0.007898%	0.009014%	0.010997%	0.015573%	0.014971%
District's proportionate share of the net OPEB liability (asset)	\$ 129,361	\$ 116,290	\$ 190,713	\$ 172,569	\$ 217,027	\$ (21,501)	\$ (25,897)
District's covered employee payroll	\$ 185,528	\$ 179,554	\$ 208,314	\$ 256,031	\$ 332,812	\$ 501,525	\$ 520,390
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	69.73%	64.77%	91.55%	67.40%	65.21%	-4.29%	-4.98%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	57.62%	57.62%	51.67%	62.91%	60.95%	104.23%	104.89%

Notes:

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

**MORGAN COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
CONTRIBUTIONS - OPEB
Last Eight Calendar Years**

	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 8,720	\$ 10,032	\$ 9,175	\$ 9,632	\$ 10,962	\$ 12,683	\$ 15,325	\$ -
Contributions relative to contractually required employer contribution	<u>8,720</u>	<u>10,032</u>	<u>9,175</u>	<u>9,632</u>	<u>10,962</u>	<u>12,683</u>	<u>15,325</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 169,633	\$ 185,528	\$ 179,554	\$ 208,314	\$ 256,031	\$ 332,812	\$ 501,525	\$ 458,706
Employer contributions as a percentage of covered-employee payroll	5.14%	5.41%	5.11%	4.62%	4.28%	3.81%	3.06%	0.00%

Notes:

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

**MORGAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024**

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Contributions - Pensions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of Contributions - OPEB.

Payroll

The District's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Proportionate Share of the Net OPEB Liability is for the corresponding measurement date of the net liabilities and differs from the District's calendar year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

December 31, 2024 – Pension and OPEB

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

December 31, 2023 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

MORGAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

December 31, 2022 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

December 31, 2021 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

December 31, 2020 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

December 31, 2019 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

December 31, 2018 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

MORGAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

December 31, 2017 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

December 31, 2016 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

December 31, 2015 – Pension

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.



**INDEPENDENT AUDITORS' 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**

The Board of Commissioners
Morgan County Water District
West Liberty, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Morgan County Water District (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Morgan County Water District's basic financial statements, and have issued our report thereon dated October 10, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001, 2024-002 and 2024-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2024-003.

Morgan County Water District's Response to Findings

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

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.

RFH

RFH, PLLC
Lexington, Kentucky
October 10, 2025

**MORGAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2024**

FINDINGS RELATED TO FINANCIAL STATEMENTS

2024-001 – Internal Control Over Period-end Financial Reporting (Material Weakness)

Criteria: The District is required to have internal controls over the period-end financial reporting process that enable the District to record and process year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

Condition: During the audit, we identified material misstatements in accounts payable and related expenditures and in debt and related loan forgiveness proceeds that were not identified by the District's internal controls over financial reporting.

Cause: The District failed to provide proper oversight over period-end financial reporting, which resulted in misstated accounting records prior to performance of the audit.

Effect: The District relied on auditor prepared accounting adjustments to ensure the financial records were properly stated in accordance with generally accepted accounting principles. The District reviewed, approved and accepted responsibility for the accounting adjustments as the auditor cannot be a component of the District's internal controls.

Recommendation: We recommend management review the period-end financial reporting process and implement an additional analytical review and analysis of year end balances prior to the start of the audit. We also recommend additional year-end analysis of accounts payable and outstanding debt to ensure balances are accurately stated. This additional oversight of the year-end financial records should ensure that any accounting errors are detected and corrected prior to the audit.

Response: We have implemented processes to monitor accounts payable and all debt.

2024-002 – Segregation of Duties (Material Weakness)

Criteria: The District should have proper segregation of duties or compensating controls to properly safeguard assets from misappropriation. The basic premise of segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. In addition, proper segregation of duties should include oversight of accounting activity by individuals with knowledge of internal controls and accounting regulations, who were not involved in the original transaction.

Condition: The District has several areas where lack of proper segregation of duties poses a potential issue. The District had the same individuals responsible for preparing utility bills, adjusting utility bills and collecting payment on utility bills without an outside reviewer. Additionally, individuals outside the utility billing function had access in the utility billing software to edit customer bills and account information. Management compensation rates were not approved by those charged with governance. Additionally, payroll registers were not being reviewed for accuracy by an individual other than the preparer which resulted in an individual being paid out an additional \$256 for accrued vacation hours in excess of the amount approved in the personnel policies. Finally, the District had the same individual responsible for reconciling the bank statements and reviewing debit card transactions. As a result, the debit card policy prohibiting use of the debit card for personal items without reimbursement was not followed and adequate supporting documentation for debit card purchases was not maintained. It is estimated that at least \$3,756 of debit card purchases do not have supporting documentation.

Cause: The District does not have sufficient segregation of duties related to utility billing adjustments, payroll review, and debit card expenditure review. Additionally, the District did not provide adequate oversight to compensate for the lack of segregation of duties.

Effect: District personnel performed a variety of incompatible duties during 2024. The District did not provide adequate oversight related to utility billing adjustments, payroll processing, or debit card expenditures.

**MORGAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2024**

FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

2024-002 – Segregation of Duties (Material Weakness) (continued)

Recommendation: We recommend the District separate duties where possible and implement compensating controls to address the lack of segregation of duties related to utility billing adjustments, payroll processing, and debit card expenditures. The District should have an individual outside of the utility billing function review and approve monthly utility billing adjustments. In addition, only individuals involved in the utility billing function should have user access rights in the software to edit utility bills. We also recommend that payroll registers be reviewed by an individual other than the person preparing payroll, including review of pay rate changes, overtime, benefit payouts and overall reasonableness. Management compensation and pay rates should be approved by the Board of Commissioners and that approval should be documented. Finally, we are recommending that a member of management review the statement of debit card transactions on a monthly basis and require that supporting documentation be submitted and maintained for all purchases. Access to the debit cards should be restricted to authorized personnel.

Response: Individuals outside of the utility function do not have access to utility billing software and cannot edit customer bills and account information. Customer bills are not edited without direct oversight of the General Manager. Management compensation rates are now approved by the Board of Commissioners. Payroll is prepared by an outside accountant and reviewed by the Office Manager prior to completion of the bi-weekly payroll, and therefore being reviewed for accuracy appropriately. An outside accountant reconciles the bank statements and all debit card charges are reviewed by the Office Manager for appropriateness. We only have one debit/credit card and it stays in the office and is only used with permission from the General Manager and Office Manager.

2024-003 – Underfunded Debt Reserves and Deposit Refund Accounts (Material Weakness and Noncompliance)

Criteria: The District is required to make monthly transfers to their reserve accounts to be in compliance with debt agreements. In addition, the District is required by 807 KAR 5:006 to maintain a separate bank account holding customer deposits as established in the District's customer deposit tariff.

Condition: The District has not been making the required monthly payments to their reserve accounts and has not been fully funding the deposit refund accounts.

Cause: Management failed to make the monthly debt reserve payments outlined in the District's debt agreements. In addition, management paid operating expenditures from the deposit refund accounts.

Effect: The District's reserve accounts are underfunded by \$109,991 and the deposit refund accounts are underfunded by \$20,948 as of December 31, 2024.

Recommendation: We recommend that the District begin making monthly transfers into their reserve accounts in accordance with their debt agreement requirements. We also recommend that the District make any additional transfers necessary to ensure that all reserve balances are at the level required by their debt agreements. In addition, we recommend that the District make an additional transfer to the deposit refund account to ensure the balance is at the required level and the only disbursements from this account be deposit refunds.

Response: We have implemented procedures to make sure that the debt reserve accounts are fully funded, currently they are fully funded and we are working on procedures to make sure that the deposit refund account is fully funded.

**MORGAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2024**

PRIOR AUDIT FINDINGS

2023-001 – The District Lacks Internal Control Over Cash Accounts.

Status: Resolved during 2024.

2023-002 – The District Lacks Internal Control Over Disbursements.

Status: Repeated as finding 2024-002.

2023-003 – The District Lacks Internal Control Over Debt.

Status: Resolved during 2024.

2023-004 – The District Lacks Internal Control Over the Schedule of Expenditures of Federal Awards and Failed to Establish Written Procedures.

Status: Resolved during 2024.

2023-005 – The District Failed to Comply With Bond Covenants.

Status: Repeated as finding 2024-003.