

NORTH MARSHALL WATER DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

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INTRODUCTORY SECTION

**NORTH MARSHALL WATER DISTRICT
DIRECTORY**

December 31, 2023

BOARD MEMBERS

James Leonard, Chairman
Kenneth Shadowen, Vice Chairman
Larry Jo Draffen, Secretary
Billy Driskill, Treasurer
Jim Dossett

MANAGEMENT TEAM

Roger Colburn, Superintendent
Kimberly Smith, Bookkeeper

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ATA, PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

To the Board of Commissioners
North Marshall Water District
Benton, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of North Marshall Water District (the District), 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 business-type activities of the District, as of December 31, 2023 and 2022, and the respective changes in financial position and 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required schedules and notes for pensions and OPEB as listed in the table of contents 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 response 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 the District's basic financial statements. The accompanying supplementary information, is presented for purposes of additional analysis and is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

ATA, PLLC

Jackson, Tennessee
July 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the North Marshall Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2023 and 2022. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets and deferred outflows at year-end were \$13.38 million and exceeded liabilities and deferred inflows in the amount of \$4.82 million (i.e. net position).
- Total assets increased by \$270 thousand, mainly due to an increase in construction in progress.
- Operating revenues were \$2.04 million, an increase from year 2022 in the amount of \$67 thousand or 3.40%.
- Operating expenses were \$2.11 million, a decrease from year 2022 in the amount of \$50 thousand or 2.31%.
- The operating loss for the year was \$75 thousand as compared to \$191 thousand operating loss in 2022.
- Ratios of operating income (loss) to total operating revenue were -.037 and -.097 for 2023 and 2022 respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements and Supplementary Information are made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary information section, 4) and the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Statement of Net Position* includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District, and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates. The District's total net position increased by \$387,898 for the fiscal year ended December 31, 2023. The District's total net position increased by \$1,055,774 for the fiscal year ended December 31, 2022. The analysis below focuses on the District's net position (Table 1A & 1B) and changes in net position (Table 2A & 2B) during the year.

Table 2A
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	December 31, 2023	December 31, 2022	Increase (Decrease)	
			\$	%
Operating revenues	\$ 2,036,152	\$ 1,969,209	\$ 66,943	3.40%
Non-operating revenues	10,761	114,417	(103,656)	-90.59%
Total revenues	<u>2,046,913</u>	<u>2,083,626</u>	<u>(36,713)</u>	-1.76%
Costs of sales and services	226,607	221,532	5,075	2.29%
Customer accounts expense	47,820	54,753	(6,933)	-12.66%
Administrative and general expenses	872,994	1,031,377	(158,383)	-15.36%
Maintenance expense	550,547	407,477	143,070	35.11%
Provision for depreciation	412,737	445,401	(32,664)	-7.33%
Non-operating expenses	118,636	39,831	78,805	197.85%
Total expenses	<u>2,229,341</u>	<u>2,200,371</u>	<u>28,970</u>	1.32%
Capital contributions	68,634	44,150	24,484	55.46%
Capital contributions - grants	<u>501,692</u>	<u>1,128,369</u>	<u>(626,677)</u>	-55.54%
Change in net position	387,898	1,055,774	(667,876)	-63.26%
Beginning net position	4,434,265	3,378,491	1,055,774	31.25%
Ending net position	<u>\$ 4,822,163</u>	<u>\$ 4,434,265</u>	<u>\$ 387,898</u>	8.75%

Table 2B
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	December 31, 2022	December 31, 2021	Increase (Decrease)	
			\$	%
Operating revenues	\$ 1,969,209	\$ 1,787,289	\$ 181,920	10.18%
Non-operating revenues	114,417	5,763	108,654	1885.37%
Total revenues	<u>2,083,626</u>	<u>1,793,052</u>	<u>290,574</u>	16.21%
Costs of sales and services	221,532	208,961	12,571	6.02%
Customer accounts expense	54,753	67,901	(13,148)	-19.36%
Administrative and general expenses	1,031,377	964,048	67,329	6.98%
Maintenance expense	407,477	406,581	896	0.22%
Provision for depreciation	445,401	418,590	26,811	6.41%
Non-operating expenses	39,831	122,417	(82,586)	-67.46%
Total expenses	<u>2,200,371</u>	<u>2,188,498</u>	<u>11,873</u>	0.54%
Capital contributions - grants	1,128,369	-	1,128,369	100.00%
Change in net position	1,011,624	(395,446)	1,407,070	-355.82%
Beginning net position	3,378,491	3,773,937	(395,446)	-10.48%
Ending net position	<u>\$ 4,390,115</u>	<u>\$ 3,378,491</u>	<u>\$ 1,011,624</u>	29.94%

The increase in assets in 2023 and 2022 was mainly due to current year activities resulting in construction in progress. Total liabilities decreased during the current year mainly due to principal payments on long term liabilities.

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenues, Expense, and Changes in Net Position for the year.

Table 2A
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	December 31, 2023	December 31, 2022	Increase (Decrease)	
			\$	%
Operating revenues	\$ 2,036,152	\$ 1,969,209	\$ 66,943	3.40%
Non-operating revenues	10,761	114,417	(103,656)	-90.59%
Total revenues	<u>2,046,913</u>	<u>2,083,626</u>	<u>(36,713)</u>	-1.76%
Costs of sales and services	226,607	221,532	5,075	2.29%
Customer accounts expense	47,820	54,753	(6,933)	-12.66%
Administrative and general expenses	872,994	1,031,377	(158,383)	-15.36%
Maintenance expense	550,547	407,477	143,070	35.11%
Provision for depreciation	412,737	445,401	(32,664)	-7.33%
Non-operating expenses	118,636	39,831	78,805	197.85%
Total expenses	<u>2,229,341</u>	<u>2,200,371</u>	<u>28,970</u>	1.32%
Tap fees	68,634	44,150	24,484	55.46%
Capital contributions	<u>501,692</u>	<u>1,128,369</u>	<u>(626,677)</u>	-55.54%
Change in net position	387,898	1,055,774	(667,876)	-63.26%
Beginning net position	4,434,265	3,378,491	1,055,774	31.25%
Ending net position	<u>\$ 4,822,163</u>	<u>\$ 4,434,265</u>	<u>\$ 387,898</u>	8.75%

Table 2B
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	December 31, 2022	December 31, 2021	Increase (Decrease)	
			\$	%
Operating revenues	\$ 1,969,209	\$ 1,787,289	\$ 181,920	10.18%
Non-operating revenues	114,417	5,763	108,654	1885.37%
Total revenues	<u>2,083,626</u>	<u>1,793,052</u>	<u>290,574</u>	16.21%
Costs of sales and services	221,532	208,961	12,571	6.02%
Customer accounts expense	54,753	67,901	(13,148)	-19.36%
Administrative and general expenses	1,031,377	964,048	67,329	6.98%
Maintenance expense	407,477	406,581	896	0.22%
Provision for depreciation	445,401	418,590	26,811	6.41%
Non-operating expenses	39,831	122,417	(82,586)	-67.46%
Total expenses	<u>2,200,371</u>	<u>2,188,498</u>	<u>11,873</u>	0.54%
Capital contributions	1,128,369	-	1,128,369	100.00%
Change in net position	1,011,624	(395,446)	1,407,070	-355.82%
Beginning net position	3,378,491	3,773,937	(395,446)	-10.48%
Ending net position	<u>\$ 4,390,115</u>	<u>\$ 3,378,491</u>	<u>\$ 1,011,624</u>	29.94%

Operating revenues showed a 3.40% increase from 2022 to 2023 and a 10.18% increase from 2021 to 2022, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023 the system had \$11.67 million (net of accumulated depreciation) invested in a broad range of utility capital assets. This investment includes land, distribution systems and their related equipment, and various types of equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as land, utility plant in service, and construction in progress.

The following tables summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the years ended December 31, 2023 and 2022. These changes are presented in detail in Note 3E to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

			Increase (Decrease)	
	December 31, 2023	December 31, 2022	\$	%
Land	\$ 178,564	\$ 178,564	\$ -	0.00%
Utility plant in service	17,473,697	16,478,314	995,383	6.04%
Construction in progress	3,306,652	3,015,324	291,328	9.66%
Accumulated depreciation	(9,292,781)	(8,880,161)	(412,620)	4.65%
Total capital assets	\$ 11,666,132	\$ 10,792,041	\$ 874,091	8.10%

Table 3B

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

			Increase (Decrease)	
	December 31, 2022	December 31, 2021	\$	%
Land	\$ 178,564	\$ 178,564	\$ -	0.00%
Utility plant in service	16,478,314	15,854,877	623,437	3.93%
Construction in progress	3,015,324	292,794	2,722,530	929.84%
Accumulated depreciation	(8,880,161)	(8,463,002)	(417,159)	4.93%
Total capital assets	\$ 10,792,041	\$ 7,863,233	\$ 2,928,808	37.25%

Debt Administration

The District has outstanding bonds and notes payable of \$6.10 and \$6.21 million as of December 31, 2023 and 2022, respectively. Principal payments are due in the upcoming fiscal year in the amount of \$118,860 with interest payments totaling \$116,359 also due. Details relating to the outstanding debt can be found in Note 3F.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District will continue to function under the current operations. Management will do everything possible to keep the customer costs as low as possible and continue to maintain the District's financial position. The District has plans to increase customer costs in the upcoming fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the commissioners at the office located at 96 Carroll Road, Benton, Kentucky 42025, or by telephone at (270) 527-3208.

NORTH MARSHALL WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash on hand	\$ 1,900	\$ 1,900
Cash in bank - unrestricted	558,821	906,794
Accounts receivable - customer (less allowance for doubtful accounts of \$91,180 and \$83,695 for 2023 and 2022, respectively)	258,339	271,567
Inventory	165,839	165,839
Prepaid expenses	34,251	28,428
Total current assets	1,019,150	1,374,528
Noncurrent assets:		
Cash in bank - restricted	237,985	519,970
Total restricted cash accounts	237,985	519,970
Capital assets:		
Land	178,564	178,564
Construction in progress	3,306,652	3,015,324
Utility plant in service	17,473,697	16,478,314
Less: Provision for depreciation	(9,292,781)	(8,880,161)
Total capital assets	11,666,132	10,792,041
Total noncurrent assets	11,904,117	11,312,011
Other assets:		
Net OPEB asset	32,918	-
Total other assets	32,918	-
Total assets	12,956,185	12,686,539
Deferred outflows of resources:		
Pension related	265,299	153,782
OPEB related	158,696	176,763
Total deferred outflows of resources	\$ 423,995	\$ 330,545

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

NORTH MARSHALL WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable	\$ 140,416	\$ 85,502
Other accrued liabilities	26,176	23,228
Current portion of bonds and notes payable	118,860	116,618
Total current liabilities (payable from current assets)	285,452	225,348
Current liabilities (payable from restricted assets):		
Customer deposits	47,795	48,894
Total current liabilities	333,247	274,242
Noncurrent liabilities:		
Accrued vacation	5,214	5,214
Bonds payable	5,975,513	6,095,255
Net pension liability	1,529,888	1,562,118
Net OPEB liability	-	426,397
Total noncurrent liabilities	7,510,615	8,088,984
Total liabilities	7,843,862	8,363,226
Deferred inflows of resources:		
Pension related	182,916	51,224
OPEB related	531,239	168,369
Total deferred inflows of resources	714,155	219,593
NET POSITION		
Net investment in capital assets	5,571,759	4,580,168
Restricted for net OPEB asset	32,918	-
Unrestricted	(782,514)	(145,903)
Total net position	\$ 4,822,163	\$ 4,434,265

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

NORTH MARSHALL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Charges for sales and services (net of bad debt expense of \$0 for 2023 and \$10,589 for 2022)	\$ 1,989,807	\$ 1,950,726
Other operating revenue	46,345	18,483
Total operating revenues	2,036,152	1,969,209
Operating expenses:		
Costs of sales and service	226,607	221,532
Maintenance	550,547	407,477
Customer accounts	47,820	54,753
Administrative and general expenses	872,994	1,031,377
Provision for depreciation	412,737	445,401
Total operating expenses	2,110,705	2,160,540
Operating income (loss)	(74,553)	(191,331)
Nonoperating revenues (expenses):		
Interest income	10,761	114,417
Interest expense	(118,636)	(39,831)
Total nonoperating revenues (expenses)	(107,875)	74,586
Income (loss) before contributed capital	(182,428)	(116,745)
Capital contributions	68,634	44,150
Capital contributions - grants	501,692	1,128,369
Change in net position	387,898	1,055,774
Net position - beginning	4,434,265	3,378,491
Net position - ending	\$ 4,822,163	\$ 4,434,265

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

NORTH MARSHALL WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from consumers	\$ 2,049,380	\$ 2,014,906
Cash paid to suppliers of goods and services	(1,013,831)	(975,234)
Cash paid to employees for services	(722,531)	(687,720)
Change in customer deposits	(1,099)	(4,856)
Net cash provided by (used in) operating activities	311,919	347,096
Cash flows from investing activities:		
Interest received from investments	10,761	114,417
Net cash provided by (used in) investing activities	10,761	114,417
Cash flows from capital and related financing activities:		
Payment on long-term debt	(117,500)	-
Construction and acquisition of plant	(1,286,828)	(3,374,209)
Proceeds from issuance of bonds	-	2,022,045
Contributed capital from grants	501,692	1,128,369
Interest and other non-operating expenses	(118,636)	(39,831)
Net cash provided by (used in) financing activities:	(1,021,272)	(263,626)
Increase (decrease) in cash and cash equivalents	(698,592)	197,887
Cash and cash equivalents - beginning	1,428,664	1,230,777
Cash and cash equivalents - ending	\$ 730,072	\$ 1,428,664
Cash and cash equivalents:		
Restricted cash in bank	\$ 237,985	\$ 519,970
Unrestricted cash on hand	1,900	1,900
Unrestricted cash in bank	558,821	906,794
Net cash and cash equivalents	\$ 798,706	\$ 1,428,664

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

NORTH MARSHALL WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Net operating income (loss)	\$ (74,553)	\$ (147,181)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation	412,737	445,401
Net pension deferred inflows/outflows and liability	(12,055)	41,439
OPEB deferred inflows/outflows and asset/liability	(78,378)	41,740
(Increase) decrease in current assets:		
Accounts receivable	13,228	1,547
Inventory	-	(59,849)
Prepaid expenses	(5,823)	(1,997)
Increase (decrease) in current liabilities:		
Accounts payable	54,914	29,417
Other current liabilities	2,948	1,435
Customer deposits	(1,099)	(4,856)
Net cash provided by (used in) operating activities	\$ 311,919	\$ 347,096

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

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the North Marshall Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The North Marshall Water District's general purpose financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name),
- The District holds the corporate powers of the organization,
- The District appoints a voting majority of the organization's board,
- The District is able to impose its will on the organization,
- The organization has the potential to impose a financial benefit/burden on the District, and
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the North Marshall Water District has no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that generally result from providing services in connection with the Water District's principal ongoing operations. All other expenses are reported as non-operating expenses.

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

C. Assets, Liabilities, and Net Position

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Accounts Receivable

Trade receivables result from unpaid billings for water service to customers and from unpaid billings related to work performed for or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the District is based on past history of uncollectible accounts and management's analysis of current accounts.

Inventories and Prepaid Items

All inventories are valued at the lower of average cost or market, using the first-in/first-out (FIFO) method at year end. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements as of year-end.

Restricted Assets

Certain cash accounts and investments are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The District elects to use restricted assets before unrestricted assets when the situation arises when either can be used.

Capital Assets

The property, plant, and equipment are stated at original cost including all direct cost of materials and labor during the construction period. All donated material is stated at the current fair market value.

The costs of replacements, normal maintenance, and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the District, with the exception of Land and Construction in Process, are depreciated, using the straight line method over the following useful lives:

Utility Plant	20 - 50 years
Office and other equipment	5 - 20 years
Vehicles	5 years

Accrued Vacation

It is the District's policy to permit employees to accumulate earned but unused vacation. All vacation pay has been accrued and the current year's is reflected as a noncurrent liability and the prior year's is reflected as a noncurrent liability on the financial statements.

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District will continue to report bond cost as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements. This option as part of GASB Statement No. 65 is available due to the above mentioned cost being used for rate setting by the District.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has several items that qualify for this form of reporting - deferred outflows related to the pension and OPEB plans as of December 31, 2023 and 2022.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for this form of reporting - deferred inflows related to the pension and OPEB plans as of December 31, 2023 and 2022.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Impact of Recently Issued Accounting Pronouncements

In May of 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 related to Subscription-Based Information Technology Arrangements. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription based asset. This implementation resulted in no impact on the current year or prior year financial statements.

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

Net Position

Equity is classified as net position and displayed in the following two components:

- Net Investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Unrestricted - All other net positions that do not meet the description of the above categories.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The fiscal year 2024 budget was approved unanimously at the October 2023 Board meeting. The budget is not legally adopted but only used as a management tool.

NOTE 3 – DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risk

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. For an investment, this is the risk that, in the event of a failure of the counterpart, the District will not be able to recover the value of its investments or the collateral securities that are in the possession of an outside party.

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute authorize the District to invest in obligations of the United States and its agencies and instrumentalities; bond or certificates of indebtedness of the Commonwealth of Kentucky and its agencies and municipalities; interest bearing deposit accounts in financial institutions chartered in the Commonwealth of Kentucky insured by an agency of the United States up to the amount thus insured and in larger amounts, provided such financial institutions pledge as security obligations of the United States having such value as may be satisfactory to the District. As of December 31, 2023 and 2022, all bank deposits were fully covered by federal depository insurance or fully collateralized by financial institutions.

B. Receivables

Receivables as of the fiscal year ends were made up of the following:

	<u>2023</u>	<u>2022</u>
Billed service for utility customers	\$ 349,519	\$ 355,262
Less: allowance for doubtful accounts	(91,180)	(83,695)
Total	<u>\$ 258,339</u>	<u>\$ 271,567</u>

C. Restricted Assets

Restricted assets as of the fiscal year ends were made up of the following:

	<u>2023</u>	<u>2022</u>
Cash in bank - restricted	\$ 237,985	\$ 519,970

D. Net Position

Net Position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The restricted net position amounts were as follows:

	<u>2023</u>	<u>2022</u>
Net investment in capital assets		
Net property, plant and equipment	\$ 11,666,132	\$ 10,792,041
Less: Debt as disclosed in Note 3F	6,094,373	6,211,873
	<u>5,571,759</u>	<u>4,580,168</u>
Restricted for net OPEB asset	32,918	-
Unrestricted	<u>(782,514)</u>	<u>(145,903)</u>
Total net position	<u>\$ 4,822,163</u>	<u>\$ 4,434,265</u>

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

E. Capital Assets

Capital asset activity during the year was as follows:

Description	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Capital assets, not being depreciated				
Land	\$ 178,564	\$ -	\$ -	\$ 178,564
Construction in progress	3,015,324	291,328	-	3,306,652
Total capital assets not being depreciated	<u>3,193,888</u>	<u>291,328</u>	<u>-</u>	<u>3,485,216</u>
Capital assets, being depreciated				
Utility plant in service	16,478,314	995,500	117	17,473,697
Less accumulated depreciation for:				
Utility plant in service	8,880,161	412,737	117	9,292,781
Total capital assets, being depreciated, net	<u>7,598,153</u>	<u>582,763</u>	<u>-</u>	<u>8,180,916</u>
Total capital assets, net	<u>\$ 10,792,041</u>	<u>\$ 874,091</u>	<u>\$ -</u>	<u>\$ 11,666,132</u>
Description	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Capital assets, not being depreciated				
Land	\$ 178,564	\$ -	\$ -	\$ 178,564
Construction in progress	292,794	2,722,530	-	3,015,324
Total capital assets not being depreciated	<u>471,358</u>	<u>2,722,530</u>	<u>-</u>	<u>3,193,888</u>
Capital assets, being depreciated				
Utility plant in service	15,854,877	651,679	28,242	16,478,314
Less accumulated depreciation for:				
Utility plant in service	8,463,002	445,401	28,242	8,880,161
Total capital assets, being depreciated, net	<u>7,391,875</u>	<u>206,278</u>	<u>-</u>	<u>7,598,153</u>
Total capital assets, net	<u>\$ 7,863,233</u>	<u>\$ 2,928,808</u>	<u>\$ -</u>	<u>\$ 10,792,041</u>

Depreciation expense amounted to \$412,620 and \$445,401 for the fiscal years ended December 31, 2023 and 2022, respectively.

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

F. Long-term Debt

At year end, the District's long-term liabilities consisted of the following loans:

- (1) In 2014 the District issued a USDA Series Bond in the amount of \$3.85 million. For 2024, \$69 thousand in principal and \$77 thousand in interest will be paid.
- (2) In 2021 the District issued a USDA Series Bond in the amount of \$2.67 million. For 2024, \$50 thousand in principal and \$39 thousand in interest will be paid.

The following is a summary of long-term debt transactions for the year ended December 31, 2023 and 2022.

	Balance 12/31/2022	Issued	Retired	Balance 12/31/2023	Due Within One Year
2014 USDA Series Bond	\$ 3,540,500	\$ -	\$ 67,500	\$ 3,473,000	\$ 69,000
2021 USDA Series Bond	2,671,373	-	50,000	2,621,373	49,860
Total long-term debt	<u>6,211,873</u>	<u>-</u>	<u>117,500</u>	<u>6,094,373</u>	<u>118,860</u>
Accrued vacation	5,214	-	-	5,214	-
Total Long-Term Liabilities	<u>\$ 6,217,087</u>	<u>\$ -</u>	<u>\$ 117,500</u>	<u>\$ 6,099,587</u>	<u>\$ 118,860</u>
	Balance 12/31/2021	Issued	Retired	Balance 12/31/2022	Due Within One Year
2014 USDA Series Bond	\$ 3,540,500	\$ -	\$ -	\$ 3,540,500	\$ 67,500
2020 USDA Anticipation Note	649,328	2,022,045	-	2,671,373	49,118
Total long-term debt	<u>4,189,828</u>	<u>2,022,045</u>	<u>-</u>	<u>6,211,873</u>	<u>116,618</u>
Accrued vacation	5,214	-	-	5,214	-
Total Long-Term Liabilities	<u>\$ 4,195,042</u>	<u>\$ 2,022,045</u>	<u>\$ -</u>	<u>\$ 6,217,087</u>	<u>\$ 116,618</u>

The scheduled annual requirements for long-term debt at December 31, 2023, including interest of \$2.27 million is as follows:

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

<u>Year ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2024	\$ 118,860	\$ 116,359	\$ 235,218
2025	121,613	114,031	235,643
2026	124,377	111,646	236,023
2027	127,153	109,204	236,358
2028	129,941	106,707	236,648
2029-2033	694,943	493,995	1,188,938
2034-2038	777,498	422,037	1,199,535
2039-2043	869,732	341,092	1,210,824
2044-2048	974,773	250,015	1,224,788
2049-2053	1,094,264	147,283	1,241,547
2054-2058	717,355	50,513	767,868
2059-2062	343,865	10,660	354,525
	<u>\$ 6,094,373</u>	<u>\$ 2,273,542</u>	<u>\$ 8,367,915</u>

The District does not have any lines of credit.

The District complied with all significant debt covenants and restrictions as set forth in the bond agreements across all systems.

The bonds payable for all systems contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding bonds payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Use any remedy allowed by state or federal law.

NOTE 4 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended December 31, 2023, the District purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

B. Retirement Plan

For the years ended December 31, 2023 and 2022, the District's total covered payroll for all employees were \$742,168 and \$665,836. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

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 plan. CERS is administered by the Kentucky Public Pensions Authority, 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 Public Pensions Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority 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/>.

Employee membership data related to the Plan as of June 30, 2023 was as follows:

Active members	10
Inactive members	22
Total members	32

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 Unreduced retirement Reduced retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 – December 31, 2013 At least 5 years of service and 65 years old Or age 57+ and sum of service years plus age equals 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old Or age 57+ and sum of service years plus age equals 87 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.

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

Net Pension Liability (Asset) - The District's net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial principles.

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

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

Employer contributions rates for the fiscal year were adopted by the Board of KPPA based on actuarially recommended rates. The District's contributions to CERS for the year ended December 31, 2023 and 2022 were \$140,439 and \$136,003.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At December 31, 2023, the District reported a liability \$1,529,888 for its proportionate share of the net pension liability. The net pension liability for the plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial principles. 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 and 2022, the District's proportion was 0.023840% and 0.021609%, respectively.

For the years ended December 31, 2023 and 2022, the District recognized pension expense of \$161,955 and \$168,201. 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:

31-Dec-23	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 79,199	\$ 4,157
Changes of assumptions	-	140,215
Net difference between projected and actual earnings on plan investments	-	20,869
Changes in proportion and differences between District contributions and proportionate share of contributions	102,526	17,675
District contributions subsequent to the measurement date	83,574	-
Total	\$ 265,299	\$ 182,916

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

31-Dec-22	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,670	\$ 13,911
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	40,047	-
Changes in proportion and differences between District contributions and proportionate share of contributions	39,630	37,313
District contributions subsequent to the measurement date	72,435	-
Total	<u>\$ 153,782</u>	<u>\$ 51,224</u>

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 year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1	(9,201)
Year 2	(11,331)
Year 3	34,153
Year 4	(14,812)
Year 5	-
Thereafter	-

Actuarial assumptions – The actuarially determined contribution rates effective for fiscal year ending 2023 that are documented in the schedule on the previous pages are calculated as of June 30, 2022. Based on the June 30, 2022 actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are below:

Actuarial cost method	Entry Age Normal
Asset Valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Inflation	2.30 percent
Projected salary increases	3.30 to 10.30 percent, varies by service
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation
Mortality	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

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous 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 2013-2022, 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 assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Bond	10.00%	2.45%
Speciality Credit/High Yeild	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long Term Inflation Assumptions		2.5%
Expected Nominal Return on Portfolio		8.25%

Discount rate – The discount rate used to measure the total pension liability was 6.5%. 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 6.5%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

Sensitivity of The District's 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 rate selected, 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 rates.

2023					
	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>		
District's net pension liability	\$ 1,931,576	\$ 1,529,888	\$ 1,196,070		
2022					
	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>		
District's net pension liability	\$ 1,925,453	\$ 1,562,118	\$ 1,239,278		

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

C. Other Postemployment Benefit Plan

All full-time employees are eligible to participate in the County Employee's Retirement System ("System"). This plan currently has state administered trust. The System plan provides for retirement, disability, and death benefits, which benefits are established by State statute. Employer contribution rates are intended to fund the System's normal cost on a current basis plus an amount equal to the amortization of unfounded past service costs over thirty years using the level percentage. Such contribution rates are determined by the System's Board of Trustees each biennium. Vesting in a retirement benefit begins immediately upon entry into the System with participants establishing full vesting after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest compounded annually at a rate of 2.5%.

Covered employees are required to contribute five percent (5%) of their salary to the plan. For those employees who began participating with the County Retirement System on or after September 1, 2008, 6% of their salary will be the required contribution, with 5% deposited into the individual's account and 1% deposited into the County Retirement System Insurance Fund. In addition, the System is required to contribute the remaining amounts necessary to pay benefits when due.

The System's contribution represented less than 1% of the total contributions required of all participating entities. Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2022 annual financial report.

County Employees Retirement System Non-Hazardous (CERS)

Plan description – Effective August 1, 1988, employees of North Marshall Water District became a part of the County Employee Retirement Systems (CERS). This is a cost-sharing, multiple employer defined benefit plan. CERS is administered by the Kentucky Public Pensions Authority, an agency of the Commonwealth of Kentucky. Under the provision of the Kentucky Revised Statute (KRS) Section

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

61.645, the Board of Trustees of the Kentucky Public Pensions Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority 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 began before July 1, 2003. Members are eligible for benefits if they are the recipient of a retirement allowance. The percentage of the member premium paid by the retirement system is based on the number of years of service as indication below:

Less than 4 years	0%
4-9 years	25%
10-14 years	50%
15-19 years	75%
20 or more years	100%

Tier 2 participation began on or after July 1, 2003, but before September 1, 2008. Members are eligible for benefits if they are the recipient of a retirement allowance with at least 120 months of service at retirement. The retirement system provides a monthly contribution of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July. As of July 1, 2016, the monthly contribution was \$12.99/year of service.

Tier 3 participation began on or after September 1, 2008. Benefits are identical to Tier 2, except Tier 3 members are required to have at least 1809 months of service in order to be eligible.

Contributions – Required contributions by the employee are based on the tier. Tier 1 members contribute 0% of gross salary. Tier 2 and 3 members both contribute 1% of gross salary.

Employer contributions rates for the fiscal year were adopted by the Board of KPPA based on actuarially recommend rates. The Board’s contributions for the year ended December 31, 2023 and 2022, were \$36,370 and \$35,455, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2023, the District reported an asset of \$32,918 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial principles. 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. At June 30, 2023 and 2022, the District’s proportion was 0.023842% and 0.021606%, respectively.

For the year ended June 30, 2023 and 2022, the Board recognized OPEB expense of \$63,317 and \$65,012, respectively. At December 31, 2023 and 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 22,949	\$ 467,401
Changes of assumptions	64,780	45,145
Net difference between projected and actual earnings on plan investments	-	7,640
Changes in proportion and differences between District contributions and proportionate share of contributions	53,043	11,053
District contributions subsequent to the measurement date	17,924	-
Total	158,696	531,239
December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 42,920	\$ 97,783
Changes of assumptions	67,438	55,568
Net difference between projected and actual earnings on plan investments	17,307	-
Changes in proportion and differences between District contributions and proportionate share of contributions	29,321	15,018
District contributions subsequent to the measurement date	19,777	-
Total	\$ 176,763	\$ 168,369

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 ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follow:

2024	\$ (89,882)
2025	(121,821)
2026	(96,594)
2027	(82,170)
2028	-
Thereafter	-

Actuarial methods and 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:

**NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

Determined by actuarial valuation as of June 30, 2021.

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Mortality:	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
Healthcare Trend Rates:	Initial trend starting at 6.30% at January 1, 2021 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 valuation and were incorporated into the liability measurement.
Post-65:	Initial trend starting at 6.30% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2022 premiums were known at the time of valuation and were incorporated into the liability measurement.

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 below. The current long-term inflation assumption is 2.5% per annum.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Bond	10.00%	2.45%
Speciality Credit/High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long Term Inflation Assumptions		2.50%
Expected Nominal Return on Portfolio		8.25%

Discount Rate – The projection of cash flows used to determine the discount rate of 5.93% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year (closed) amortization period of the unfunded actuarial

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

accrued liability. The discount rate determination used an expected rate of return of 6.5%, 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.

Sensitivity of the District’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate - The following table presents the District’s proportionate share of the collective net OPEB liability, calculated using the discount rate of 5.93% and 5.70%, as well as what the Board’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 or 1 percentage point higher than the current rates.

2023			
	1% Decrease, 4.93%	Current Discount Rate, 5.93%	1% Increase, 6.93%
District's net OPEB liability	\$ 61,774	\$ (32,918)	\$ (112,211)
2022			
	1% Decrease, 4.70%	Current Discount Rate, 5.70%	1% Increase, 6.70%
District's net OPEB liability	\$ 570,025	\$ 426,397	\$ 307,665

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.

2023			
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's net OPEB liability	\$ (105,507)	\$ (32,918)	\$ 56,252
2022			
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's net OPEB liability	\$ 317,017	\$ 426,397	\$ 557,743

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

D. Subsequent Events

Management has evaluated subsequent events through July 31, 2024, the date in which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**NORTH MARSHALL WATER DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

County Employee's Retirement System

Fiscal Years Ending June 30,

	<u>2014</u>	<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 the net pension liability (asset)	0.01505%	0.01602%	0.01688%	0.01860%	0.01881%	0.02012%	0.02103%	0.02248%	0.02161%	0.02384%
District's proportionate share of the net pension liability (asset)	<u>\$ 488,279</u>	<u>\$ 688,613</u>	<u>\$ 831,288</u>	<u>\$ 1,088,481</u>	<u>\$ 1,145,343</u>	<u>\$ 1,414,697</u>	<u>\$ 1,612,984</u>	<u>\$ 1,433,149</u>	<u>\$ 1,562,118</u>	<u>\$ 1,529,888</u>
District's covered-employee payroll	\$ 387,798	\$ 405,480	\$ 458,633	\$ 482,536	\$ 525,873	\$ 563,183	\$ 570,339	\$ 610,799	\$ 665,836	\$ 742,168
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.91%	169.83%	181.25%	225.58%	217.80%	251.20%	282.81%	234.64%	234.61%	206.14%
Plan fiduciary net position as a percentage of the total pension liability	65.96%	59.35%	55.11%	52.40%	52.40%	55.11%	59.35%	65.96%	52.42%	57.48%

The amounts presented were determined as of June 30 of the current fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of

See Independent auditor's report.

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending December 31,

	<u>2014</u>	<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 contribution	\$ 65,626	\$ 65,048	\$ 76,143	\$ 84,210	\$ 73,740	\$ 91,231	\$ 104,746	\$ 119,818	\$ 136,003	\$ 143,439
Contributions in relation to the contractually required contribution	65,206	65,048	76,143	84,210	73,740	91,231	104,746	119,818	136,003	143,439
Contribution deficiency (excess)	\$ 420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 387,798	\$ 405,480	\$ 458,633	\$ 482,536	\$ 525,873	\$ 563,183	\$ 597,302	\$ 621,614	\$ 665,836	\$ 742,168
Contributions as a percentage of covered-employee payroll	16.81%	16.04%	16.60%	17.45%	14.02%	16.20%	17.54%	19.28%	20.43%	19.33%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of

See independent auditor's report,

NORTH MARSHALL WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN
For the Year Ended December 31, 2023

County Employees Retirement System

Changes of benefit terms - None.

Changes of assumptions - The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, 2023.

Determined by actuarial valuation as of June 30, 2021.

Actuarial Cost Method: Entry Age Normal

Asset Valuation Method: 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.

Amortization Method: Level Percent of Pay

Amortization Period: 30-year closed period at June 30, 2019
Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases

Payroll Growth Rate 2.00%

Investment Return: 6.25%

Inflation: 2.30%

Salary Increases: 3.55% to 10.30%, for non-hazardous members

Mortality: 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

Phase-in provision: Board certified rate is phased into the actuarially determined rate in determined rate in accordance with HB 362 enacted in 2018.

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY

Fiscal Years Ending June 30,

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net OPEB liability (asset)	0.018805%	0.020110%	0.021024%	0.022473%	0.021606%	0.023842%
District's proportionate share of the net OPEB liability (asset)	\$ 333,879	\$ 338,241	\$ 507,666	\$ 430,234	\$ 426,397	\$ (32,918)
District's covered-employee payroll	\$ 525,873	\$ 563,183	\$ 570,339	\$ 610,799	\$ 665,836	\$ 742,168
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	63.49%	60.06%	89.01%	70.44%	64.04%	-4.44%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%	69.41%	104.23%

The amounts presented were determined as of June 30 of the current fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

See independent auditor's report

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending December 31,

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 24,432	\$ 29,598	\$ 29,678	\$ 31,247	\$ 35,455	\$ 36,370
Contributions in relation to the contractually required contribution	<u>24,432</u>	<u>29,598</u>	<u>29,678</u>	<u>31,247</u>	<u>35,455</u>	<u>36,370</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	<u>\$ 525,873</u>	<u>\$ 563,183</u>	<u>\$ 597,302</u>	<u>\$ 621,614</u>	<u>\$ 665,836</u>	<u>\$ 742,168</u>
Contributions as a percentage of covered-employee payroll	4.65%	5.26%	4.97%	5.03%	5.32%	4.90%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

See independent auditor's report

NORTH MARSHALL WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN
For the Year Ended December 31, 2023

County Employees OPEB Post-Retirement System

Changes of benefit terms - None.

Changes of assumptions - The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, 2023.

Determined by actuarial valuation as of June 30, 2021.

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Mortality:	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
Healthcare Trend Rates:	Initial trend starting at 6.30% at January 1, 2021 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 valuation and were incorporated into the liability measurement.
Post-65:	Initial trend starting at 6.30% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2022 premiums were known at the time of valuation and were incorporated into the liability measurement.
Change in assumptions	Discount rate changed from 5.7% to 5.93% in 2023

SUPPLEMENTARY INFORMATION SECTION

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF OPERATING INCOME AND EXPENSES
For the Year Ended December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Gross water sales	\$ 2,016,201	\$ 1,976,760
Less: Bad debt expense	-	(10,589)
Less: leak adjustments	(26,394)	(15,445)
Net water sales	1,989,807	1,950,726
Fees:		
Connect and reconnect fees	45,995	18,283
Other water revenues	350	200
	46,345	18,483
Total operating revenues	\$ 2,036,152	\$ 1,969,209
Operating expenses:		
Cost of sales and services		
Purchased power	163,356	170,329
Salaries and wages	6,242	5,733
Treatment chemicals	31,147	33,522
Contractual services	25,862	11,948
	226,607	221,532
Maintenance:		
Salaries and wages	294,884	274,604
Materials and supplies	181,360	65,116
Contractual services	74,303	67,757
	550,547	407,477
Customer accounts expense:		
Meter reading	10,095	18,219
Accounting and collection	37,725	36,534
	47,820	54,753

See independent auditor's report

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF OPERATING INCOME AND EXPENSES
For the Year Ended December 31, 2023 and 2022

	2023	2022
Administrative and general expenses		
Salaries and wages	351,555	330,141
Employee benefits and payroll taxes	192,112	186,388
Employee pensions	88,431	254,370
Office supplies	49,548	60,646
Office and shop utilities	3,479	3,294
Insurance	64,835	55,649
Advertising	630	666
Professional fees	33,142	38,156
Educational and training	15,447	14,542
Transportation	41,542	46,220
Uniforms	5,559	7,398
Office phones	14,564	22,641
Rental	1,316	1,759
Miscellaneous	10,834	9,507
	872,994	1,031,377
Provision for depreciation	412,737	445,401
Total operating expense	\$ 2,110,705	\$ 2,160,540

See independent auditor's report

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF LONG-TERM DEBT
December 31, 2023

Year Ended	USDA Series 2014		Revenue Bond Series 2021		Total		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Interest		
2024	\$ 69,000	\$ 77,367	\$ 49,860	\$ 38,992	\$ 118,860	\$ 116,359	\$	235,218	
2025	71,000	75,792	50,613	38,239	121,613	114,031		235,643	
2026	73,000	74,172	51,377	37,474	124,377	111,646		236,023	
2027	75,000	72,506	52,153	36,698	127,153	109,204		236,358	
2028	77,000	70,796	52,941	35,911	129,941	106,707		236,648	
2029	79,000	69,042	53,741	35,111	132,741	104,153		236,893	
2030	81,000	67,242	54,552	34,300	135,552	101,541		237,093	
2031	83,500	65,391	55,376	33,476	138,876	98,867		237,743	
2032	86,000	63,484	56,213	32,639	142,213	96,123		238,336	
2033	88,500	61,521	57,062	31,790	145,562	93,311		238,873	
2034	90,500	59,507	57,923	30,928	148,423	90,435		238,858	
2035	93,000	57,442	58,798	30,054	151,798	87,496		239,294	
2036	96,000	55,316	59,686	29,165	155,686	84,482		240,168	
2037	98,500	53,128	60,588	28,264	159,088	81,392		240,480	
2038	101,000	50,884	61,503	27,349	162,503	78,233		240,736	
2039	104,000	48,578	62,432	26,420	166,432	74,998		241,429	
2040	106,500	46,210	63,375	25,477	169,875	71,687		241,561	
2041	109,500	43,779	64,332	24,520	173,832	68,299		242,131	
2042	112,500	41,282	65,304	23,548	177,804	64,830		242,634	
2043	115,500	38,717	66,290	22,562	181,790	61,279		243,068	
2044	119,000	36,079	67,291	21,561	186,291	57,640		243,931	
2045	122,000	33,367	68,307	20,544	190,307	53,912		244,219	
2046	125,500	30,584	69,339	19,513	194,839	50,096		244,935	
2047	129,000	27,720	70,386	18,465	199,386	46,186		245,572	
2048	132,500	24,779	71,449	17,402	203,949	42,181		246,130	
2049	136,500	21,752	72,529	16,323	209,029	38,075		247,103	
2050	140,000	18,642	73,624	15,228	213,624	33,870		247,493	
2051	144,000	15,447	74,736	14,116	218,736	29,562		248,298	
2052	148,000	12,162	75,865	12,987	223,865	25,149		249,013	
2053	152,000	8,786	77,011	11,841	229,011	20,627		249,638	
2054	156,000	5,742	78,174	10,678	234,174	16,420		250,593	
2055	158,500	3,368	79,354	9,497	237,854	12,865		250,720	
2056	-	-	80,553	8,299	80,553	8,299		88,852	
2057	-	-	81,770	7,082	81,770	7,082		88,852	
2058	-	-	83,005	5,847	83,005	5,847		88,852	
2059	-	-	84,258	4,593	84,258	4,593		88,852	
2060	-	-	85,531	3,321	85,531	3,321		88,852	
2061	-	-	86,823	2,029	86,823	2,029		88,852	
2062	-	-	87,253	717	87,253	717		87,970	
	<u>\$ 3,473,000</u>	<u>\$ 1,430,580</u>	<u>\$ 2,621,373</u>	<u>\$ 842,962</u>	<u>\$ 6,094,373</u>	<u>\$ 2,273,542</u>	<u>\$</u>	<u>\$ 8,367,915</u>	

**NORTH MARSHALL WATER DISTRICT
WATER RATES IN FORCE**

December 31, 2023

Water

\$3.27 per every 1,000 gallons of water plus a base charge

Residential Rate Schedule

	<u>Base</u>
Residential 5/8"	\$23.49
Residential 1"	\$32.79
Residential 1 1/2"	\$48.30
Residential 2"	\$66.95
Residential 3"	\$110.40

Commercial Rate Schedule

Commercial 5/8"	\$23.49
Commercial 1"	\$32.79
Commercial 1 1/2"	\$48.30
Commercial 2"	\$66.95
Commercial 3"	\$110.40
Commercial 4"	\$172.51
Commercial 6"	\$327.73

Sewer

\$60.00 minimum bi-monthly charge up to 12,000 gallons of water usage

\$5.00 for every 1,000 gallons over the 12,000 gallon limit

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Assistance Listing Number</u>	<u>Project or Grant Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture Rural Utilities Service			
Waste and Waste Disposal Systems for Rural Communities- Grant	10.76	N/A	\$ 18,639
Total			<u>\$ 18,639</u>
 Total Federal Awards			 <u>\$ 18,639</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards include the award activity of the District under programs of the federal government, for the year ended December 31, 2023. Because the schedule of expenditures of federal awards present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, statement of activities, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Certain amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3- The outstanding balance of the USDA loan at December 31, 2023 was \$2,621,373.

* - Denotes Major Program

**NORTH MARSHALL WATER DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2023**

<u>State Grantor/Pass-Through Grantor Program Title</u>	<u>Project or Grant Number</u>	<u>Expenditures</u>
The Kentucky Department of Military Affairs Division of Emergency Management West Kentucky State Aid Funding for Emergencies (SAFE) Fund	SB150	\$ <u>483,053</u>
Total State Financial Assistance		\$ <u>483,053</u>

Note 1: The accompanying Schedule of State Financial Assistance summarizes the expenditures of the District under the programs of the State government for the year ended December 31, 2023. The Schedule is presented using the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE SECTION



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Board of Commissioners
North Marshall Water District
Benton, Kentucky

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

ATA, PLLC

Jackson, Tennessee
July 31, 2024

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2023

There were no current year findings reported.

NORTH MARSHALL WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Fiscal Year Ended December 31, 2023

There were no prior year findings reported.