OLDHAM COUNTY WATER DISTRICT
La Grange, Kentucky

FINANCIAL STATEMENTS
December 31, 2023

CONTENTS

Members American Institute of Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Oldham County Water District
La Grange, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Oldham County 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 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 Oldham County Water District, as of December 31, 2023, 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 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.

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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 management's discussion and analysis and the pension and OPEB schedules on pages 4–9 and 26–29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
March 25, 2024

OLDHAM COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED DECEMBER 31, 2023

The discussion and analysis of Oldham County Water District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to review the District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of 2023 by $40 million (net position). Of this amount, $13.8 million (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors. The District's total net position increased by $1.4 million in 2023. This represents a 3.6% increase from the 2022 balance.

- The ending cash balance for the District was $14.17 million. The balance at December 31, 2022, was $14.24 million. This reflects a decrease in cash during the year of approximately $69,000.

- The District invested approximately $2.2 million in capital assets during the year.

- The economic disruption caused by the Coronavirus (COVID-19) pandemic that began in 2020 continues even into 2023 and we believe this will continue going forward. The District saw significant price increases in inventory, chemicals, etc. along with delayed delivery times which caused the District to evaluate the amount of materials needed to keep on hand. The District continues to monitor internal operations such as technology controls, security and employee operations. These events had no significant negative effect on the overall financial position or results of operations.

<u>USING THIS ANNUAL REPORT</u>

The basic financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The basic financial statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; a statement of cash flows; and notes to the basic financial statements.

The ***statement of net position*** presents the financial position of the District on a full accrual historical cost basis. The statement presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the District is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the ***statement of revenues, expenses, and changes in net position*** presents the results of the District's activities over the course of the 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 also provides certain information about the District's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The ***statement of cash flows*** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The ***notes to the basic 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.

ENTITY-WIDE FINANCIAL ANAYLSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $40.4 million and $39.0 million as of December 31, 2023 and 2022.

The largest portion of the District's net position (63%) reflects its investment in infrastructure and capital assets (e.g., land and land rights, plant and equipment and construction in progress), less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

(Table 1)
Summary of Net Position
as of December 31, 2023 and 2022

	2023	2022
Assets		
Current and		
Other Assets	$ 20,211,001	$ 20,342,024
Capital Assets	36,946,398	36,039,832
Total Assets	57,157,399	56,381,856
Deferred Outflows of Resources	1,381,177	1,018,273
Long-term liabilities	14,827,018	15,569,450
Other Liabilities	942,528	1,071,488
Total Liabilities	15,769,546	16,640,938
Deferred Inflows of Resources	2,350,754	1,731,204
Net Position		
Net investment in capital assets	25,430,337	24,141,763
Restricted	1,178,440	9,372,299
Unrestricted	13,809,499	5,513,925
Total Net Position	$ 40,418,276	$ 39,027,987

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations (without constraints established by debt covenants, enabling legislation or other legal requirements), increased $8.3 million from $5.5 million to $13.8 million at December 31, 2023. Restricted net position decreased $8.2 million. The restricted net position was re-evaluated at December 31, 2023 to only include legal restrictions, rather than board designated funds, which is the reason for the offset between unrestricted and restricted. Net investment in capital assets increased by $1.3 million (5%).

(Table 2)
Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING INCOME:		
Water sales	$ 5,036,376	$ 5,034,611
Other operating income	97,450	165,833
Total operating income	5,133,826	5,200,444
OPERATING EXPENSES:		
Water supply	343,221	306,228
Water treatment	886,989	817,131
Transmission and distribution	1,515,991	1,323,639
Customer accounts	875,132	863,383
General and administrative	1,149,624	842,241
Depreciation	1,142,319	1,073,910
Total operating expenses	5,913,276	5,226,532
OPERATING INCOME (LOSS)	(779,450)	(26,088)
NON-OPERATING INCOME (EXPENSES):		
Interest income	628,153	176,710
Other income	256,079	274,872
Gain on disposal of capital assets	154,942	48,115
Interest expense	(378,070)	(405,839)
Amortization of bond discount and premium	(2,563)	2,177
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(120,909)	69,947
Capital contributions	1,511,198	1,269,573
Increase in net position	$ 1,390,289	$ 1,339,520
Net position, beginning of year	39,027,987	37,688,467
NET POSITION, END OF YEAR	$ 40,418,276	$ 39,027,987

Operating income decreased by 1.3% while operating expenses increased by 13% compared to the prior year. Interest income increased by $451 thousand due to market conditions and rate of returns on investments. The gain on disposal of capital assets increased due to the timing of fleet turnover. The District continues to receive capital contributions through the State of Kentucky, the Federal government, customers and individual developers. These capital contributions increased 19% compared to prior year.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2023 and 2022, the District had $37.0 million and $36.0 million invested in a variety of capital assets, as reflected in the following tables:

(Table 3)
Capital Assets (Net of Depreciation)
as of December 31, 2023 and 2022

	2023	2022
Non-Depreciable Assets:		
Land and land rights	$ 3,157,374	$ 3,157,374
Construction in progress	54,096	355,451
Depreciable Assets:		
Plant and equipment	33,734,928	32,527,007
Total capital assets, net of depreciation	$ 36,946,398	$ 36,039,832

(Table 4)
Changes in Capital Assets
Years Ended December 31, 2023 and 2022

	2023	2022
Beginning balance	$ 36,039,832	$ 34,542,151
Additions	2,232,919	2,577,293
Retirements	(184,034)	(5,702)
Depreciation	(1,142,319)	(1,073,910)
Ending balance	$ 36,946,398	$ 36,039,832

Debt

At December 31, 2023 and 2022, the District had $11.5 million and $11.7 million, in revenue bonds outstanding. A total of $211 thousand is due within the 2024 calendar year.

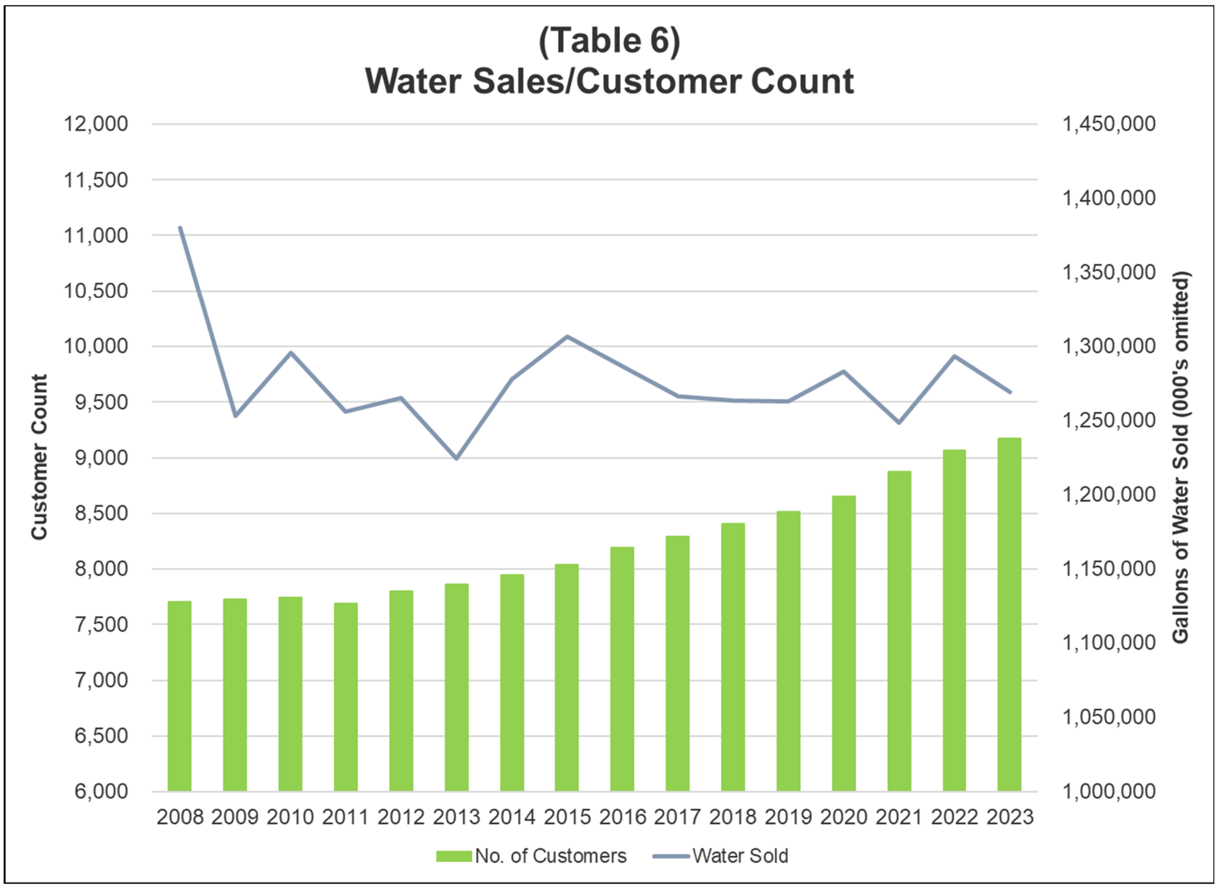
(Table 5)
Outstanding Debt
as of December 31, 2023 and 2022

	2023	2022
Revenue bonds	$ 11,587,100	$ 11,789,100
Unamortized discount	(71,039)	(73,598)
	$ 11,516,061	$ 11,715,502

District Challenges for the Future

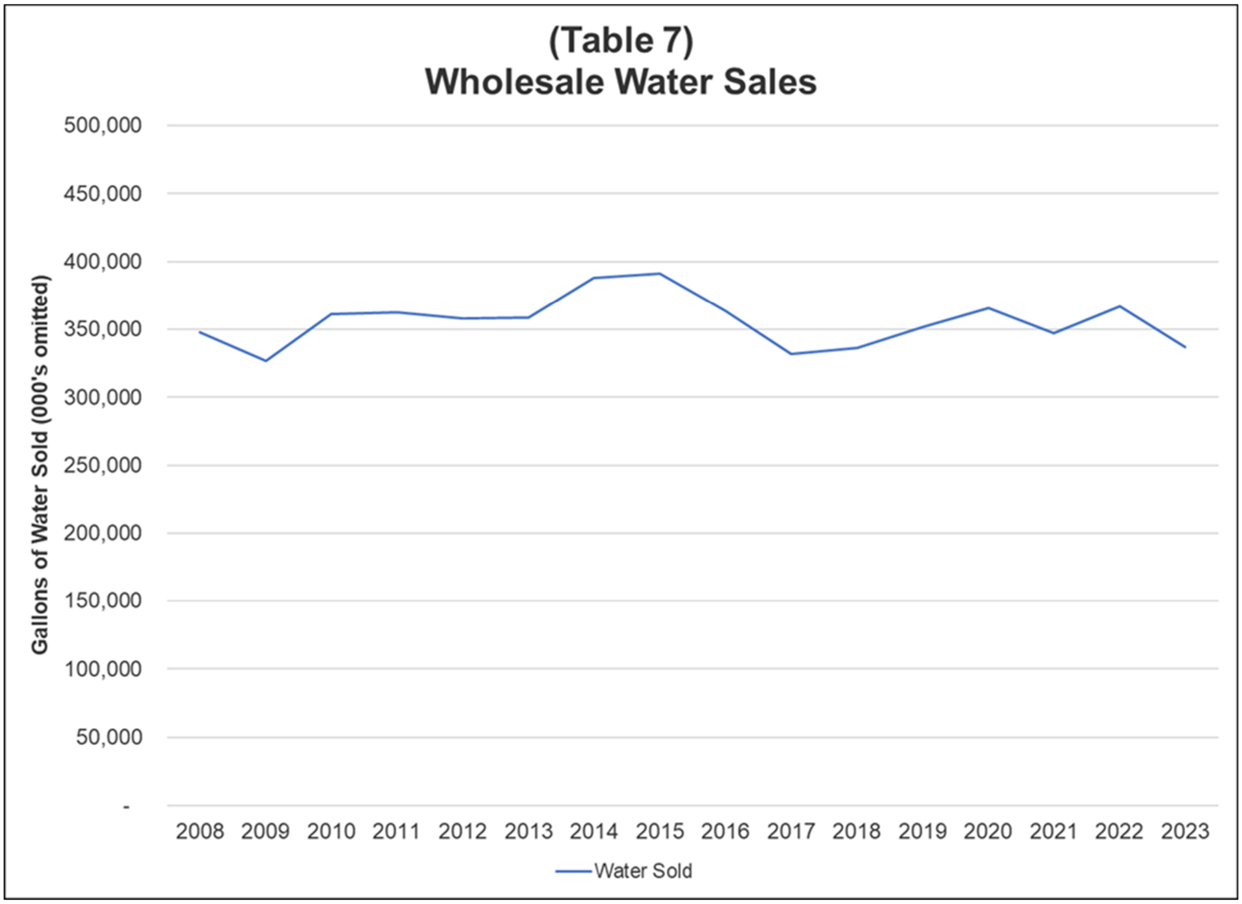
The District continues to be financially sound. As the District serves more customers, infrastructure ages, and water consumption falls, the District will continue to use careful planning and monitoring of finances to provide quality services to its customers. The District created a case by filing an application with the Kentucky Public Service Commission (PSC) on August 18, 2023, seeking approval of a proposed adjustment to its water rates. This case is pending before PSC as of December 31, 2023. The District acknowledges the need for a rate increase on the use of water in order to continue to provide quality services.

Economic factors and increased water saving fixtures are a contributing factor to the 111 million or 8% decline in gallons of water sold from fifteen years prior (2008), primarily driven by the retail water consumption, while the District's customer count has risen by 1,474 or 19% during these fifteen years.



The District's largest non-wholesale customer purchased 14% of the water sold in 2023 which is down from 20% in 2017, six years prior. Overall, the District continues to see a reduction of water use from this customer due to their restructure.

The District's wholesale water purchased has remained relatively flat over the past fifteen years. In 2023 wholesale purchased 27% of the water sold.



Contacting the District's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Lacey Cunningham, Finance & Administrative Manager, P.O. Box 51, Buckner, Kentucky 40031, (502) 222-1690.

OLDHAM COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

ASSETS	
Current assets	
Cash	$ 12,992,299
Customer accounts receivable, net	682,356
Lease receivable - current	117,202
Interest receivable	22,036
Prepaid exenses	24,541
Inventory	819,795
Total current assets	14,658,229
Noncurrent assets	
Restricted cash	1,178,440
Lease receivable - noncurrent	644,351
Net OPEB asset	75,779
Regulatory asset - CERS pension	2,971,534
Regulatory asset - CERS OPEB	682,668
Capital assets	
Nondepreciable capital assets	3,211,470
Property, plant and equipment, net	33,734,928
Total noncurrent assets	42,499,170
Total assets	57,157,399
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	932,406
Deferred outflows - OPEB	448,771
Total deferred outflows of resources	1,381,177
Total assets and deferred outflows of resources	$ 58,538,576
LIABILITIES	
Current liabilities	
Accounts payable	95,917
Accrued vacation	112,280
Tax collections	14,990
Other collections	179,079
Accrued payroll and taxes	107,991
Other accrued expenses	29,050
Accrued interest	192,221
Bonds payable	211,000
Total current liabilities	942,528
Noncurrent liabilities	
Noncurrent bonds payable	11,305,061
Net pension liability	3,521,957
Total noncurrent liabilities	14,827,018
Total liabilities	15,769,546
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	381,983
Deferred inflows - OPEB	1,207,218
Deferred inflows - leases	761,553
Total deferred inflows of resources	2,350,754
NET POSITION	
Net investment in capital assets	25,430,337
Restricted for debt service	403,221
Restricted for depreciation	747,000
Restricted for deposits	28,219
Unrestricted	13,809,499
Total net position	40,418,276
Total liabilities, deferred inflows of resources and net position	$ 58,538,576

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

OLDHAM COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2023

OPERATING INCOME	
Water sales	$ 5,036,376
Other operating income	97,450
Total operating income	5,133,826
OPERATING EXPENSES	
Water supply	343,221
Water treatment	886,989
Transmission and distribution	1,515,991
Customer accounts	875,132
General and administrative	1,149,624
Depreciation	1,142,319
Total operating expenses	5,913,276
Operating income (loss)	(779,450)
Non-operating income (expenses)	
Interest income	628,153
Other income	256,079
Gain on disposal of capital assets	154,942
Interest expense	(378,070)
Amortization of bond discount	(2,563)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(120,909)
Capital contributions	1,511,198
Change in net position	1,390,289
Net position, beginning of year	39,027,987
NET POSITION, END OF YEAR	$ 40,418,276

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

OLDHAM COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
for the year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 5,105,140
Payments to suppliers	(2,079,309)
Payments for employee services and benefits	(3,159,823)
Net cash provided (used) by operating activities	(133,992)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds	(202,000)
Interest paid on bonds	(387,849)
Purchases of capital assets	(801,108)
Capital contributed	227,801
Proceeds from sale of capital assets	338,975
Net cash provided (used) by capital and related financing activities	(824,181)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	633,140
Other income	256,079
Net cash provided (used) by investing activities	889,219
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,954)
Cash and cash equivalents, beginning of year	14,239,693
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,170,739
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (779,450)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,142,319
Changes in assets and liabilities:	
(Increase) decrease in receivables	(28,686)
(Increase) decrease in inventory	(211,996)
(Increase) decrease in prepaids	20,416
Increase (decrease) in accounts payable	(317,206)
Increase (decrease) in accrued payroll	3,348
Increase (decrease) in accrued vacation	17,007
Increase (decrease) in accrued expenses	20,256
Net cash provided by operating activities	$ (133,992)
Supplemental disclosure of cash flow information:	
Noncash capital and related financing activities:	
Payables for capital items, net	$ 148,414

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

1. DESCRIPTION OF ENTITY

Brief history - The Oldham County Water District (the District) was created by the order of the county Judge/Executive of Oldham County, Kentucky, on April 16, 1979. The order approved the merger of the existing Ohio River – Oldham Water District and the Oldham County Water District No. 3. The waterworks system of the District is owned and operated by the District under the provisions of Chapters 74 and 106 and Sections 96.350 through 96.510, inclusive, of the Kentucky Revised Statutes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District follows the accounting policies and procedures set forth by the National Association of Regulatory Utility Commissioners and the guidance provided by the American Water Works Association in *Water Utility Accounting* and is regulated by the Kentucky Public Service Commission. The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity

These financial statements present the District's financial activities. As defined by GASB No. 14, *The Financial Reporting Entity,* as amended by GASB No. 39, *Determining Whether Certain Organizations Are Component Units* the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, the District does not include any component units in its reporting entity.

Basis of Financial Statements

All activities of the District are accounted for within a single proprietary (enterprise) fund. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The GAAP applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The proprietary fund financial statements are presented on the accrual basis of accounting. Nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred. Because the District's rates are regulated by the Kentucky Public Service Commission the District accounts for the financial effects of regulation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, Paragraphs 476-500, Regulated Operations. Accordingly, certain costs and income may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The District has defined cash and cash equivalents to include cash on hand and demand deposits. The District considers all highly liquid debt instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

Restricted Assets

Restricted assets consist of cash held for future repayment of customer deposits and for cash required to be set aside for future debt service and depreciation reserves as required by bond covenants.

Accounts Receivable

The allowance method is used to record uncollectible accounts. At December 31, 2023, accounts receivable was stated net of an allowance for uncollectible accounts of $31,512. The District does not believe there is any credit risk associated with these receivables due to the large customer base and small individual account balances.

Capital Assets

Capital assets and construction in progress with a life extending beyond one operating cycle are recorded at historical cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, if available, or at engineers' estimated fair market value or cost to construct at the date of the contribution. Maintenance and repairs, which do not significantly extend the value or life of property, plant and equipment, are expensed as incurred. Assets are depreciated on the straight-line method. Depreciation on plant and equipment is calculated using the estimated useful lives ranging from 10 to 62.5 years.

Compensated absences

The District accrues unpaid vacation when earned by the employee.

Defining Operating Revenues and Expenses

The District distinguishes between operating and non-operating revenue and expenses. Operating revenues and expenses consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

Net Position

Net position is divided into three components:

a. **Net investment in capital assets** – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

b. **Restricted net position** – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (both federal, state and local) and by other contributors.

c. **Unrestricted** – all other net position is reported in this category.

Use of Restricted Resources

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Bond discounts are being amortized using the interest method over the life of each respective bond issue.

Capital Contributions

Capital contributions are recognized in the Statement of Revenues, Expenses and Changes in Net Position when earned. Contributions include capacity fees, capital grants, and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

Long-term Obligations

Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums and discounts are deferred and amortized over the life of the bonds. Issuance costs are expensed as incurred.

Use of Estimates

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

Pensions and OPEB

For purposes of measuring the net pension liability, net OPEB liability (asset), deferred outflows/inflows of resources, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS except that CERS's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District's rates are regulated by the Kentucky Public Service Commission. In accordance with GASB Statement No. 62, Paragraphs 476-500, Regulated Operations, which requires that the effects of the rate-making process be recorded in the financial statements, the District has elected to record a regulatory asset for the net pension liability, net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB. Accordingly, the District recognizes the actuarially determined contribution as the current year pension and OPEB expense.

Change in Accounting Policy

Effective January 1, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through March 25, 2024, 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, 2023, have not been evaluated by the District.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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. The District does not have a formal investment policy but follows Kentucky Revised Statutes for investing funds.

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, 2023, were either entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name or were invested in federal obligations. The bank balances of the District's deposits were $14,180,831 at December 31, 2023; $750,000 was covered by FDIC, $13,127,471 was covered by collateral held at the custodial bank in the District's name and $303,360 was invested in federal obligations.

The District has restricted cash for various purposes including debt service, future construction and customer deposits. The following schedule represents restricted cash at December 31, 2023:

Debt service fund required by bond ordinance	$ 403,221
Depreciation fund required by bond ordinance	747,000
Customer deposits	28,219
Total restricted cash	$ 1,178,440

4. CAPITAL ASSETS

A summary of capital asset activity during the year follows:

	Balance January 1, 2023	Additions	Deductions	Balance December 31, 2023
Capital assets not depreciated:				
Land and land rights	$ 3,157,374	$ -	$ -	$ 3,157,374
Construction in progress	355,451	11,000	(312,355)	54,096
Totals	3,512,825	11,000	(312,355)	3,211,470
Capital assets that are depreciated:				
Plant and equipment	53,083,537	2,534,273	(383,025)	55,234,785
Total capital assets	56,596,362	2,545,273	(695,380)	58,446,255
Less: accumulated depreciation	20,556,530	1,142,319	(198,992)	21,499,857
Capital assets, net	$ 36,039,832	$ 1,402,954	$ (496,388)	$ 36,946,398

5. LONG-TERM DEBT

The construction costs of the District's water facilities have been financed by issuance of revenue bonds authorized under Kentucky Revised Statutes. All assets of the District are pledged as collateral for these bonds. Information relating to the outstanding bond issues is summarized below:

Bond Issue	Interest Rate	Face Amount	Balance as of 12/31/2023
2010 Series A	3.75%	$ 4,243,100	$ 3,575,100
2010 Series B	3.13%	9,000,000	8,012,000
Total bonds payable			11,587,100
Bond discount			(71,039)
Total long-term debt			$ 11,516,061

	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023
Revenue bonds	$ 11,789,100	$ -	$ 202,000	$ 11,587,100
Bond discount	(73,601)	-	(2,562)	(71,039)
Net pension liability	3,186,260	335,697	-	3,521,957
Total	$ 14,901,759	$ 335,697	$ 199,438	$ 15,038,018

Future principal and interest requirements for all long-term debt are as follows:

Year ended	Principal	Interest	Total	Interest to be paid by the Federal Government
2024	$ 211,000	$ 383,424	$ 594,424	$ 46,567
2025	220,000	375,951	595,951	45,451
2026	231,000	368,521	599,521	44,414
2027	242,000	360,721	602,721	43,324
2028	252,000	352,898	604,898	42,304
2029-2033	1,449,000	1,628,010	3,077,010	192,374
2034-2038	1,815,000	1,347,159	3,162,159	150,502
2039-2043	2,276,000	1,008,142	3,284,142	102,601
2044-2048	3,083,100	582,953	3,666,053	42,499
2049-2052	1,808,000	148,374	1,956,374	1,509
Totals	$ 11,587,100	$ 6,556,153	$ 18,143,253	$ 711,545

Bond and Interest Redemption Funds

There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2010 Series A and 2010 Series B bonds. The District has set aside and is reporting as restricted cash $403,221 to meet the bond and interest redemption fund requirement.

Depreciation Fund

This fund receives, on a monthly basis, $27,425 until the balance reaches $747,000. The depreciation fund was fully funded as of December 31, 2023 and the District is reporting restricted cash totaling $747,000. This fund also receives the proceeds from the sale of any property or equipment. This fund may be used to purchase new or replacement property and equipment.

6. RETIREMENT PLAN

The Oldham 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's 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 adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended December 31, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 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.

For the year ended December 31, 2023, participating employers contributed 26.79% through June 30th and 23.34% 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 7. Plan members contributed 23.40% through June 30th and 23.34% thereafter to the pension trust for non-hazardous job classifications for the year ended December 31, 2023. 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% of wages to their own account and 1% 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 $395,437 for the year ended December 31, 2023, or 100% of the required contribution for non-hazardous job classifications. The District contributed $372,830 for the year ended December 31, 2022, 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.

6. 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 1 month of 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, 2023, the District reported a liability of $3,521,957 for its proportionate share of the net pension liability. The net pension liability 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 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, 2023, the District's proportion was 0.054889 percent, which was a increase of 0.010813 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized pension expense of $515,670. At December 31, 2023, 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	$ 182,325	$ 9,570
Changes of assumptions	-	322,790
Net difference between projected and actual earnings on Plan investments	-	48,042
Changes in proportion and differences between District contributions and proportionate share of contributions	541,997	1,581
District contributions subsequent to the measurement date	208,084	-
Total	$ 932,406	$ 381,983

6. RETIREMENT PLAN (CONTINUED)

The $208,084 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources as of December 31, 2023 will be recognized in pension expense as follows:

Year ending December 31,		
2024	$	203,828
2025	$	93,985
2026	$	78,624
2027	$	(34,098)

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-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 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, 2022) to the plan's fiscal year ending June 30, 2023.

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, 2023, 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%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	**20.00%**	
Core Fixed Income	10.00%	2.45%
Specialty Credit	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%
Total	**100.00%**	**5.75%**
Long Term Inflation Assumption		**2.50%**
Expected Nominal Return for Portfolio		**8.25%**

6. RETIREMENT PLAN (CONTINUED)

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 28-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%	$ 4,446,684
Current discount rate	6.50%	$ 3,521,957
1% increase	7.50%	$ 2,753,475

Payable to the Pension Plan – At December 31, 2023, the District reported a payable of $57,842 for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 6, 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 6, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2023, the employer's contribution was 3.39% through June 30th and 0.00% thereafter 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 Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended December 31, 2023, the District contributed $27,781, or 100% of the required contribution for non-hazardous job classifications. For the year ended December 31, 2022, the District contributed $54,012, or 100% of the required contribution for non-hazardous job classifications.

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

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

OPEB Asset, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2023, the District reported an asset for its proportionate share of the net OPEB asset of $75,779. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022 and was rolled forward using generally accepted actuarial procedures. 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, 2023 was 0.054886 percent, which was a increase of 0.010818 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized OPEB expense (income) of ($73,406). At December 31, 2023, 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	$ 52,831	$ 1,076,010
Changes of assumptions	149,131	103,929
Net difference between projected and actual earnings on Plan investments	-	17,587
Changes in proportion and differences between District contributions and proportionate share of contributions	222,057	9,692
District contributions subsequent to the measurement date	24,752	-
Total	$ 448,771	$ 1,207,218

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

The $24,752 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, 2024. This includes an adjustment of $24,752 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,

2024	$	(176,166)
2025	$	(254,724)
2026	$	(183,942)
2027	$	(168,367)

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%, varies by service
Investment rate or return	6.50%, net of Plan investment expense, including inflation
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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, 2022) to the plan's fiscal year ending June 30, 2023.

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.

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

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%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	**20.00%**	
Core Fixed Income	10.00%	2.45%
Specialty Credit	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%
Total	**100.00%**	**5.75%**
Long term inflation assumption		**2.50%**
Expected nominal return for portfolio		**8.25%**

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2023 was 5.93% 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, 2023, the discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, 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.

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 (Asset) calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability (Asset) 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	4.93%	$ 142,211
Current discount rate	5.93%	$ (75,779)
1% increase	6.93%	$ (258,322)

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 (Asset) 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	$ (242,890)
Current trend rate	$ (75,779)
1% increase	$ 129,498

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

8. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

As of January 1, 2022, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with Sprint, T-Mobile and AT&T as of January 1, 2023, the District restated assets and deferred inflows of resources to recognize both a lease receivable and a deferred inflow of resources related to space on its water towers totaling $872,562. Each lease agreement has renewal options at the option of the lessee which the District anticipates will be excercised. The District has calculated the present value of future lease payments based on an incremental borrowing rate of 2.25%. The present value of expected future minimum leases payments are as follows:

Calendar Year	Principal	Interest	Total
2024	$ 117,202	$ 17,134	$ 134,336
2025	117,888	14,498	132,386
2026	89,631	11,845	101,476
2027	94,140	9,829	103,969
2028	98,824	7,711	106,535
2029-2033	191,974	15,672	207,646
2034-2035	51,894	1,767	53,661
Total	$ 761,553	$ 78,456	$ 840,009

9. CAPITAL CONTRIBUTIONS

The following schedule details the sources of capital contributions for the years ended December 31, 2023 and 2022:

	2023	2022
Developers	$ 1,283,397	$ 1,081,570
Customers	227,801	188,003
Total	$ 1,511,198	$ 1,269,573

10. 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. The District was insured for workers' compensation, general liability and automobile liability coverage under a retrospectively rated commercial policy. Any settlements did not exceed coverage for each of the past three years.

11. COMMENTS AND CONTINGENCIES

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss.

REQUIRED SUPPLEMENTARY INFORMATION

OLDHAM COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Nine 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)**
District's proportion of the net pension liability	0.036791%	0.034998%	0.035037%	0.036242%	0.039290%	0.043067%	0.041950%	0.044076%	0.054889%
District's proportionate share of the net pension liability (asset)	$ 1,581,840	$ 1,722,114	$ 2,050,823	$ 2,207,248	$ 2,763,283	$ 3,303,127	$ 2,674,642	$ 3,186,260	$ 3,521,957
District's covered employee payroll	$ 872,018	$ 824,735	$ 869,703	$ 908,025	$ 945,862	$ 1,130,932	$ 1,156,977	$ 1,138,005	$ 1,442,883
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	181.40%	208.81%	235.81%	243.08%	292.14%	292.07%	231.18%	279.99%	244.09%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

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

OLDHAM COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
CONTRIBUTIONS - PENSION
Last Nine Calendar Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	$ 109,845	$ 109,171	$ 127,995	$ 145,797	$ 201,182	$ 223,297	$ 231,420	$ 323,697	$ 395,437
Contributions relative to contractually required employer contribution	109,845	109,171	127,995	145,797	201,182	223,297	231,420	323,697	395,437
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 866,501	$ 824,784	$ 899,670	$ 945,862	$ 1,130,932	$ 1,156,977	$ 1,138,005	$ 1,442,883	$ 1,688,326
Employer contributions as a percentage of covered-employee payroll	12.68%	13.24%	14.23%	15.41%	17.79%	19.30%	20.34%	22.43%	23.42%

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

OLDHAM COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (Asset)
Last Six 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)
District's proportion of the net OPEB liability (asset)	0.0362610%	0.039280%	0.043054%	0.041940%	0.044068%	0.054886%
District's proportionate share of the net OPEB liability (asset)	$ 643,807	$ 660,672	$ 1,039,623	$ 802,920	$ 869,688	$ (75,779)
District's covered employee payroll	$ 908,025	$ 945,862	$ 1,130,932	$ 1,156,977	$ 1,138,005	$ 1,442,883
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	70.90%	69.85%	91.93%	69.40%	76.42%	-5.25%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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

OLDHAM COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE
CONTRIBUTIONS - OPEB
Last Six Calendar Years

	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	$ 47,299	$ 56,606	$ 55,072	$ 50,824	$ 54,012	$ 27,781
Contributions relative to contractually required employer contribution	47,299	56,606	55,072	50,824	54,012	27,781
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 945,862	$ 1,130,932	$ 1,156,977	$ 1,138,005	$ 1,442,883	$ 1,688,326
Employer contributions as a percentage of covered-employee payroll	5.00%	5.01%	4.76%	4.47%	3.74%	1.65%

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

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, 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%.

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 6.2%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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%.

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.

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.

December 31, 2017 – Pension

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.

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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.

December 31, 2014 – Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

December 31, 2013 – Pension

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

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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*

Board of Commissioners
Oldham County Water District
La Grange, 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 Oldham County 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 March 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
March 25, 2024