RATTLESNAKE RIDGE WATER DISTRICT

FINANCIAL STATEMENTS AND OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

****

****

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL.

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Rattlesnake Ridge Water District
Grayson, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Rattlesnake Ridge 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 District, as of December 31, 2023 and 2022, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Schedule of Proportionate Share of the Net Pension and OPEB Liability and Schedule of Pension and OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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. The other information comprises the Schedule Required by Rural Development but does not include the basic financial statements and our auditor's report thereon. Our opinion 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 October 4, 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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 4, 2024

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS	2023	(As adjusted) 2022
Unrestricted assets:		
Cash and cash equivalents	$ 394,517	$ 399,697
Customer accounts receivable, net	404,621	302,350
Inventory	29,336	19,950
Prepaid expenses	1,889	1,963
Total unrestricted assets	830,363	723,960
Restricted assets:		
Cash and cash equivalents	577,693	430,940
Investment - Sinking Funds	270,499	257,029
Total restricted assets	848,192	687,969
Total current assets	1,678,555	1,411,929
Capital assets:		
Land	16,558	16,558
Buildings and improvements	690,232	690,232
Utility plant in service	39,266,326	39,266,326
Other depreciable equipment	391,921	291,238
Construction in progress	3,938,015	26,099
	44,303,052	40,290,453
Less: accumulated depreciation	(20,552,650)	(19,605,786)
Net capital assets	23,750,402	20,684,667
Net OPEB asset	30,699	-
Total assets	25,459,656	22,096,596
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - Pension	161,405	262,153
Deferred outflows - OPEB	103,885	201,293
Total deferred outflows of resources	265,290	463,446
Total assets and deferred outflows of resources	$ 25,724,946	$ 22,560,042

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF NET POSITION (CONCLUDED)
DECEMBER 31, 2023 AND 2022

	2023	(As adjusted) 2022
LIABILITIES		
Current liabilities		
Accounts payable	$ -	$ 6,500
Accrued payroll liabilities	32,489	25,281
Other accrued liabilities	24,436	24,436
Current portion of long-term debt	369,500	319,900
Customer deposits	-	3,640
Accrued interest payable	42,194	45,435
Total current liabilities	468,619	425,192
Long-term liabilities:		
Bonds payable, net of current portion, plus premium	9,922,589	8,384,849
Notes payable, net of current portion	10,000	20,000
Net pension liability	1,426,775	1,717,686
Net OPEB liability	-	468,966
Total long-term liabilities	11,359,364	10,591,501
Total liabilities	11,827,983	11,016,693
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - Pension	280,570	128,276
Deferred inflows - OPEB	544,395	213,934
Total deferred inflows of resources	824,965	342,210
NET POSITION		
Net investment in capital assets	13,448,313	12,090,671
Restricted	848,192	687,969
Unrestricted	(1,224,507)	(1,577,501)
Total net position	13,071,998	11,201,139
Total liabilities, deferred inflows of resources, and net position	$ 25,724,946	$ 22,560,042

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

		2023		(As adjusted) 2022
OPERATING REVENUES				
Water revenue	$	3,333,179	$	3,016,201
Service charges and other income		-		28,035
Total operating revenues		3,333,179		3,044,236
OPERATING EXPENSES				
Salaries and wages		749,320		703,164
Employee benefits		313,225		367,451
Office supplies		53,207		49,658
Professional services		58,452		39,007
Materials and supplies		365,626		374,564
Utilities and telephone		340,654		355,169
Insurance		49,231		55,613
Vehicle expense		54,843		53,442
Testing expense		13,400		13,972
Depreciation and amortization		946,864		986,383
Miscellaneous expense		21,348		4,610
Other taxes		97,294		86,252
Total operating expenses		3,063,464		3,089,285
Operating income (loss)		269,715		(45,049)
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)		32,462		2,673
Interest expense		(343,181)		(196,822)
Total non-operating revenues (expenses)		(310,719)		(194,149)
INCOME (LOSS) BEFORE CONTRIBUTIONS		(41,004)		(239,198)
CAPITAL GRANTS		1,911,863		-
CAPITAL CONTRIBUTIONS		-		48,475
CHANGE IN NET POSITION		1,870,859		(190,723)
NET POSITION, BEGINNING OF YEAR, as adjusted		11,201,139		11,391,862
NET POSITION, END OF YEAR	$	13,071,998	$	11,201,139

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	(As adjusted) 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 3,227,268	$ 3,029,787
Cash payments for suppliers	(1,062,658)	(1,060,923)
Cash payments to employees for services	(1,172,210)	(1,121,770)
Net cash provided by operating activities	992,400	847,094
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,012,600)	(26,099)
Interest paid on debt	(346,422)	(173,537)
Issuance of debt	1,906,000	-
Principal paid on long-term debt	(328,660)	(152,390)
Capital grants and contributions received	1,911,863	48,475
Net cash used for capital and related financing activities	(869,819)	(303,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(13,470)	(201,999)
Sale of investments	-	481
Investment income	32,462	2,673
Net cash provided by (used for) investing activities	18,992	(198,845)
Net increase (decrease) in cash and cash equivalents	141,573	344,698
Cash and cash equivalents, beginning of year	830,637	485,939
Cash and cash equivalents, end of year	$ 972,210	$ 830,637
Cash and Cash Equivalents Reported As:		
Unrestricted	$ 394,517	$ 399,697
Restricted	577,693	430,940
	$ 972,210	$ 830,637

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2023	2022
Operating income (loss)	$ 269,715	$ (45,049)
Adjustments:		
Depreciation	946,864	986,383
Net pension adjustment	(37,869)	(77,152)
Net OPEB adjustment	(71,796)	25,997
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(102,271)	(10,499)
(Increase) decrease in inventories	(9,386)	(2,669)
(Increase) decrease in prepaid expenses	74	(863)
Increase (decrease) in customer deposits	(3,640)	(3,950)
Increase (decrease) in accounts payable and accrued wages	708	(25,104)
Net cash provided by operating activities	$ 992,399	$ 847,094

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

The financial statements of the Rattlesnake Ridge Water District ("the District") have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Rattlesnake Ridge Water District (District) is a water utility which serves areas of Carter, Elliot, Lawrence, and Morgan Counties. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created in November, 1961. The District began operations in 1983. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

Reporting Entity

The District's basic 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 the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Standards*, include whether:

- the District 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 financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

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

Basis of Accounting

The District's operations are classified as an Enterprise Fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The Enterprise Fund is accounted for on the accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. The principal operating revenue of the District are charges to customers for sales and services. The District also recognizes as operating revenue connection fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for an Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for account balances deemed not collectible, and the time period used to depreciate the capital assets. Actual results could differ from estimated amounts.

Assets, Liabilities, and Net Position

Cash and cash equivalents. For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, cash on deposit with banks, and certificates of deposit with an original maturity of less than three months (including amounts held in restricted asset accounts).

Receivables. Customer accounts receivable reflect revenues earned or accrued during the period from customers of the water system. These accounts are stated at face value less an allowance for doubtful accounts. The balance of the allowance for doubtful accounts as of December 31, 2023 and 2022 was \$365,241 and \$231,845, respectively.

Grants Receivable. Grants receivable consists of amounts disbursed that have not yet been reimbursed with approved grant funds.

Inventories. Inventories are valued at cost (first-in, first-out method).

Investments. Investments are carried at fair market value. The investment policy allows the District to invest in those investments authorized by KRS 66.480.

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, including reserve requirements, are classified as restricted assets on the statement of net position since their use is limited by applicable bond and note indentures.

Capital Assets. Expenditures for items having a useful life greater than one year are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method as follows:

Utility plant and system lines	25-40 years
Pumping equipment and meters	20 years
Furniture, fixtures and equipment	5-20 years

Long-Term Obligations. Long-term liabilities reported in the statement of net position include principal outstanding on notes and bonds.

Net Position. Net position is reported in three categories: net position invested in capital assets; restricted net position; and unrestricted net position. Net position invested in capital assets, represents capital assets, less accumulated depreciation, less outstanding principal of related debt. Restricted net position reflect funds held in various reserve accounts to meet the various covenants as may be specified and defined in the revenue bond and note indentures or as deemed appropriate by management. All other net position is considered unrestricted.

Capital Grants/Contributions

Grants that are restricted to the purchase of property, plant and equipment are recorded as capital contributions, per GASB 33. The District received capital contributions, including grants and tap fees of $1,911,863 and $48,475 for the years ended December 31, 2023 and 2022, respectively.

Reclassifications

Certain reclassifications have been made to the December 31, 2022 financial statements to conform with the 2023 presentation.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 was effective for the District beginning with its year ending December 31, 2023. The adoption of this standard did not have a material effect on the District's financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
    - 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
    - 87, Leases,
    - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
    - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships

(PPPs), and SBITAs was effective for the District beginning with its year ending December 31, 2023. Requirements related to financial guarantees and derivative instruments will be effective for the District beginning with its year ending December 31, 2024. Adoption of the provisions required through December 31, 2023 did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.
GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 will be effective for accounting changes and error corrections made by the District beginning with its year ending December 31, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 will be effective for the District beginning with its year ending December 31, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

(2) RESTRICTED ASSETS

As of December 31, 2023 and 2022, restricted assets were as follows:

	2023	2022
Bond and Interest Sinking Fund	$ 630,168	$ 487,327
Phase 12 Construction	16,209	-
Depreciation Fund	201,815	200,642
	$ 848,192	$ 687,969

(3) CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's funds on deposit with the banks may not be returned to the District. The District's cash and cash equivalents consist of checking and savings accounts with local banks. This District does not have a deposit policy for custodial credit risk. At December 31, 2023, the carrying amount of the District's deposits was $972,210 and the bank balances totaled $998,871. The bank balances are categorized as follows:

Amount insured by the FDIC	$ 250,000
Collateralized	748,871
Total	$ 998,871

(4) CAPITAL ASSETS

Changes in Capital Assets. The following is a summary of changes in capital assets and accumulated depreciation for the year ended December 31, 2023 and 2022:

December 31, 2023	Balance Jan. 1, 2023	Additions	Deletions	Balance Dec. 31, 2023
Non-depreciable:				
Land	$ 16,558	$ -	$ -	$ 16,558
Construction in progress	26,099	3,911,917	-	3,938,016
Depreciable:				
Plant in service	39,266,326	-	-	39,266,326
Other depreciable assets	981,470	100,682	-	1,082,152
	40,290,453	4,012,599	-	44,303,052
Accumulated depreciation	19,605,786	946,864	-	20,552,650
	$ 20,684,667	$ 3,065,735	$ -	$ 23,750,402

December 31, 2022	Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022
Non-depreciable:				
Land	$ 16,558	$ -	$ -	$ 16,558
Construction in progress	-	26,099	-	26,099
Depreciable:				
Plant in service	39,266,326	-	-	39,266,326
Other depreciable assets	981,470	-	-	981,470
	40,264,354	26,099	-	40,290,453
Accumulated depreciation	18,619,403	986,383	-	19,605,786
	$ 21,644,951	$ (960,284)	$ -	$ 20,684,667

(5) LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the District for the year ended December 31, 2023 and 2022:

December 31, 2023:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 30,000	$ -	$ 10,000	$ 20,000	$ 10,000
Bonds payable	8,510,600	1,906,000	309,900	10,106,700	359,500
Bond premium	184,149	-	8,760	175,389	-
Total long-term debt	$ 8,724,749	$ 1,906,000	$ 328,660	$ 10,302,089	$ 369,500

December 31, 2022:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 43,621	$ -	$ 13,621	$ 30,000	$ 10,000
Bonds payable	8,640,600	-	130,000	8,510,600	309,900
Bond premium	192,918	-	8,769	184,149	-
Total long-term debt	$ 8,877,139	$ -	$ 152,390	$ 8,724,749	$ 319,900

Notes payable included in long-term debt in the accompanying financial statements includes the following at December 31, 2023 and 2022:

	2023	2022
$135,000 note payable to the Kentucky Area Development District Financing Trust dated April 14, 2005, due in semi-Payments, with interest of 3%-5.3%, Maturing May 1, 2025.	$ 20,000	$ 30,000
Total Notes Payable	$ 20,000	$ 30,000

The annual requirements to amortize the notes payable as of December 31, 2023 (including interest payments) are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	$ 10,000	$ 795	$ 10,795
2025	10,000	265	10,265
	$ 20,000	$ 1,060	$ 21,060

Bonds Payable included in long-term debt in the accompanying financial statements includes the following at December 31, 2023 and 2022:

	2023	2022
$900,000 Water Revenue Bonds, 2001 series A, maturing through January 1, 2041, with interest at 4.50%	$ 559,500	$ 582,000
$600,000 Water Revenue Bonds, 2001 series B, maturing through January 1, 2041, with interest at 4.50%	40,200	41,600
$1,336,000 Water Revenue Bonds, 2011 series A, maturing through January 1, 2051, with interest at 2.00%	1,100,500	1,127,000
$1,146,000 Water Revenue Bonds, 2011 series B, maturing through January 1, 2051, with interest at 2.00%	931,500	955,000

\$200,000 Water Revenue Bonds, 2015 series, maturing through January 1, 2055, with interest at 3.00%	180,000	183,000
\$2,490,000 Water Revenue Bonds, 2019 series A, maturing through January 1, 2059, with interest at 2.375%	2,344,000	2,382,000
\$665,000 Water Revenue Bonds, 2008 series C, maturing through January 1, 2048, with interest at 4.125%	110,000	155,000
\$1,906,000 Water Revenue Bond, 2023a, Maturing March 20, 2025, with interest at 5.3%	1,906,000	-
\$3,170,000 KRWFC Water Revenue Bonds, 2020 series, maturing through January 1, 2044, with interest at 1.75%	2,935,000	3,085,000
Total Bonds Payable	\$ 10,106,700	\$ 8,510,600

The annual requirements to amortize the bonds as of December 31, 2023 (including interest payments) are as follows:

Year	Principal	Interest	Total
2024	\$ 359,500	\$ 232,140	\$ 591,640
2025	378,600	219,537	598,137
2026	332,100	207,682	539,782
2027	341,300	196,805	538,105
2028	354,800	185,519	540,319
2029-2033	1,810,400	783,488	2,593,888
2034-2038	1,724,000	583,576	2,307,576
2039-2043	1,518,500	397,870	1,916,370
2044-2048	1,134,000	262,223	1,396,223
2049-2053	995,500	154,177	1,149,677
2054-2058	761,500	72,029	833,529
2059	396,500	13,643	410,143
Totals	\$ 10,106,700	\$ 3,308,689	\$13,415,389

(6) RESTRICTED ASSETS

SINKING FUND

On or before the 20th day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Rattlesnake Ridge Water District, Bond and Interest Sinking Fund". The amount to be set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

1) A sum equal to one sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
2) A sum equal to one twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The required balance of the reserve at December 31, 2023 was \$591,640. The District had set aside \$630,168 at December 31, 2023 into a restricted account, resulting in the account being over-funded by \$38,528.

DEPRECIATION FUND

The District is required to deposit funds into a Depreciation Fund account the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. The required balance at December 31, 2023 was \$200,947. District had set aside \$201,815 at December 31, 2023 into a restricted account, and therefore the account is over-funded by \$868.

(7) PENSION PLAN

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members. For the year ending December 31, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) for the period January 1, 2023 through June 30, 2023 and 23.34% (23.34% - pension, 0.00% - insurance) for the period July 1, 2023 through December 31, 2023 of the member's salary. During the years ending December 31, 2023 and 2022, the District contributed \$155,327 and \$154,453 to the CERS pension plan, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2023 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2023. At June 30, 2023, the District's proportion was 0.02224%.

For the years ended December 31, 2023 and 2022, the District recognized pension expense of $42,392 and $246,602, respectively. 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 experience	$ 73,861	$ 3,877
Changes of assumptions	-	130,765
Net difference between projected and actual earnings on pension plan investments	-	19,462
Changes in proportion and differences between District contributions and proportionate share of Contributions	3,865	126,466
District contributions subsequent to the measurement date	83,679	-
Total	$ 161,405	$ 280,570

The deferred outflows at December 31, 2022 were $262,153 and the deferred inflows were $128,276. At December 31, 2023, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $83,679. These contributions will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources relat13ed to pensions are amortized over the average service life of all members. These amounts will be recognized in pension expense as follows:

Year	
2024	$ (134,051)
2025	(86,983)
2026	31,851
2027	(13,661)
2028	-
	$ (202,844)

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2022. The financial reporting actuarial valuation as of June 30, 2023, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Payroll growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "2022

Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%

Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%

Discount Rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	$ 1,801,389	$ 1,426,775	$ 1,115,456

The net pension liability was $1,717,686 at December 31, 2022.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the pension plan: At December 31, 2023 and 2022, the payables to CERS for pension and OPEB in total were $19,771 and $15,281, respectively.

(8) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLAN

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending December 31, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) for the period January 1, 2023 through June 30, 2023 and 23.34% (23.34% - pension, 0.00% - insurance) for the period July 1, 2023 through December 31, 2023 of the member's salary. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the years ending December 31, 2023 and 2022, the District contributed $12,032 and $22,376 to the CERS Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At December 31, 2023, the District reported a liability (asset) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability (asset)was based on an actuarial valuation as of June 30, 2022. An expected total OPEB liability as of June 30, 2023 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2023. At June 30, 2023, the District's proportion was 0.02224%.

For the years ended December 31, 2023 and 2022, the District recognized OPEB expense of ($62,283) and $75,072, including an implicit subsidy of $10,007 and $15,170, respectively. 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 experience	$ 21,402	$ 435,897
Changes of assumptions	60,414	42,102
Net difference between projected and actual earnings on pension plan investments	-	7,125

Changes in proportion and differences between District contributions and proportionate share of contributions	22,069	59,271
District contributions subsequent to the measurement date	-	-
Total	$ 103,885	$ 544,395

The deferred outflows at December 31, 2022 were $201,293 and the deferred inflows were $213,934. At December 31, 2023, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $-0-. These contributions will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These amounts will be recognized in OPEB expense as follows:

Year	
2024	$ (104,832)
2025	(134,420)
2026	(111,375)
2027	(89,883)
2028	-
	$ (440,510)

Actuarial Methods and Assumptions - The total OPEB liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

Assumption Changes - The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The total OPEB liability as of June 30, 2023, is determined using these updated assumptions.

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%

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

The following table presents the District's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.93%, as well as what the District's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	1% Decrease (4.93%)	Current discount rate (5.93%)	1% Increase (6.93%)
District's proportionate share of the net OPEB (asset) liability	$ 57,611	$ (30,699)	$ (104,648)

The net OPEB liability was $468,966 at December 31, 2022.

Sensitivity of the District's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trend rates: The following presents the District's proportionate share of the collective net OPEB liability (asset), as well as what the District's proportionate share of the collective net OPEB liability (asset) 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:

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB (asset) liability	$ (98,396)	$ (30,699)	$ 52,460

OPEB plan fiduciary net position: Detailed information about the insurance plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the OPEB plan: At December 31, 2023 and 2022, the payables to CERS for pension and OPEB in total were $19,771 and $15,281, respectively.

(9) CONCENTRATIONS OF CREDIT

All of the District's revenues, most of which are comprised of residential billings, are generated by customers located in its four-county area.

(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 omission; injuries to employees; and natural disasters. The District provides for risk financing by purchasing coverage from commercial insurance companies.

(11) COMMITMENTS AND CONTINGENCIES

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(12) FAIR VALUE MEASUREMENTS

The District has determined the fair value of certain assets and liabilities through the application of GASB 72, *Fair Value Measurements and Application.*

Under GASB 72, the District groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following tables present the District's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

December 31, 2023	Fair Value	Level 1	Level 2	Level 3
Assets:				
Mutual Funds	$ 270,499	$ 270,499	$ -	$ -

December 31, 2022	Fair Value	Level 1	Level 2	Level 3
Assets:				
Mutual Funds	$ 257,029	$ 257,029	$ -	$ -

(13) PRIOR PERIOD ADJUSTMENT

During 2023, the District discovered that previously reported capital assets, accumulated depreciation, and related depreciation expense were erroneously misstated. Therefore, the District restated the following line items to properly reflect the capital asset, accumulated depreciation and related depreciation expense balances as of and for the year ended December 31, 2022:

	As previously reported	As restated
Statements of Net Position:		
Capital Assets	$ 40,716,614	$ 40,290,453
Accumulated Depreciation	(19,901,194)	(19,605,786)
Total Net Position	11,331,892	11,201,139
Statements of Revenue, Expenses, and Changes in Net Position:		
Depreciation Expense	957,042	986,383

REQUIRED SUPPLEMENTARY INFORMATION

RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION AND OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2023

	Reporting Fiscal Year (Measurement Date) 12/31/2023 (6/30/2023)	Reporting Fiscal Year (Measurement Date) 12/31/2022 (6/30/2022)	Reporting Fiscal Year (Measurement Date) 12/31/2021 (6/30/2021)	Reporting Fiscal Year (Measurement Date) 12/31/2020 (6/30/2020)	Reporting Fiscal Year (Measurement Date) 12/31/2019 (6/30/2019)	Reporting Fiscal Year (Measurement Date) 12/31/2018 (6/30/2018)	Reporting Fiscal Year (Measurement Date) 12/31/2017 (6/30/2017)	Reporting Fiscal Year (Measurement Date) 12/31/2016 (6/30/2016)	Reporting Fiscal Year (Measurement Date) 12/31/2015 (6/30/2015)
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:									
District's proportion of the net pension liability	0.022%	0.024%	0.026%	0.024%	0.023%	0.022%	0.023%	0.023%	0.021%
District's proportionate share of the net pension liability	$ 1,426,775	$ 1,717,686	$ 1,674,099	$ 1,841,087	$ 1,569,987	$ 1,284,157	$ 1,145,666	$ 905,050	$ 575,000
District's covered payroll	$ 692,925	$ 724,276	$ 638,875	$ 593,281	$ 631,511	$ 624,849	$ 603,055	$ 613,228	$ 608,801
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.906%	237.159%	262.039%	310.323%	248.608%	205.515%	189.977%	147.588%	94.448%
Plan fiduciary net position as a percentage of the total pension liability	57.480%	52.420%	57.330%	47.810%	50.450%	53.540%	53.320%	55.500%	59.970%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:									
District's proportion of the net OPEB liability	0.022%	0.024%	0.026%	0.080%	0.073%	0.069%			
District's proportionate share of the net OPEB liability	$ (30,699)	$ 468,966	$ 502,562	$ 1,350,189	$ 1,296,828	$ 1,382,693			
District's covered payroll	$ 692,925	$ 724,276	$ 638,875	$ 593,281	$ 631,511	$ 624,849			
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-4.430%	64.750%	78.664%	227.580%	205.353%	221.284%			
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.40%	57.60%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
Contractually required contribution	$ 155,327	$ 154,453	$ 149,823	$ 91,333	$ 82,429	$ 74,517	$ 66,108	$ 62,917	$ 76,784	$ 76,732
Contributions in relation to the contractually required contribution	155,327	154,453	149,823	91,333	82,429	74,517	66,108	62,917	76,784	76,732
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 745,525	$ 692,925	$ 724,276	$ 638,875	$ 593,281	$ 631,511	$ 624,849	$ 603,055	$ 613,228	$ 608,801
District's proportionate share of the contractually required contributions as a percentage of its covered-employee payroll										
January to June rates	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
July to December rates	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
Contractually required contribution	$ 12,032	$ 22,376	$ 27,405	$ 29,618	$ 26,755	$ 25,266	$ 24,200	$ 23,152	$ 23,782	$ 23,554
Contributions in relation to the contractually required contribution	12,032	22,376	27,405	29,618	26,755	25,266	24,200	23,152	23,782	23,554
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 745,525	$ 692,925	$ 724,276	$ 638,875	$ 593,281	$ 631,511	$ 624,849	$ 603,055	$ 613,228	$ 608,801
District's proportionate share of the contractually required contributions as a percentage of its covered-employee payroll										
January to June rates	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	5.78%	4.73%		
July to December rates	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	5.78%	4.73%	

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

RATTLESNAKE RIDGE WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

FOR THE YEAR ENDED DECEMBER 31, 2023

(1) CHANGES OF ASSUMPTIONS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2023.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2023:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFITS

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

(1) CHANGES OF ASSUMPTIONS

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

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

For the June 30, 2022 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2023:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2023 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SUPPLEMENTARY INFORMATION

RATTLESNAKE RIDGE WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures	
U.S. Department of Agriculture:					
Water and Waste Disposal for Rural Communities					
Rural Development Loan	10.760	N/A	$ -	$ 1,906,000	*
Rural Development Grants	10.760		-	596,809	*
Total U.S. Department of Agriculture				2,502,809	
U.S. Department of Housing and Urban Development:					
Passed through Carter County Fiscal Court -					
Community Development Block Grant	14.228	20-026	-	965,439	*
Total U.S. Department of Housing and Urban Development				965,439	
U.S. Department of Homeland Security:					
Passed through Kentucky Emergency Management -					
Emergency Management Performance Grants	97.036	FEMA-4643-Dr-KY	-	371,700	
Total U.S. Department of Homeland Security				371,700	
U.S. Department of Treasury:					
Passed through Kentucky Infrastructure Authority -					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	KIA-2023	-	5,601	
Total U.S. Department of Treasury				5,601	
Total Expenditures of Federal Awards				$ 3,845,549	

* Denotes a major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rattlesnake Ridge Water District under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the District it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C - INDIRECT COST RATE

The Board has not elected to use the 10-percent deminimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

RATTLESNAKE RIDGE WATER DISTRICT
OTHER INFORMATION REQUIRED BY RURAL DEVELOPMENT
DECEMBER 31, 2023

INSURANCE COVERAGE		AMOUNT	EXPIRATION DATE OF POLICY
General Liability	$	3,000,000	4/1/2024
Umbrella Policy	$	3,000,000	4/1/2024
Property – Building and Contents	$	8,959,868 100% Co-Insurance	4/1/2024
Automobiles	$	1,000,000	4/1/2024
Employee Theft	$	1,000,000	3/4/2024
Encroachment Bonds	$	5,000	
Workers Compensation		Statutory	12/31/2023

Aged Accounts Receivable

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2023, accounts receivable were aged as follows:

		Amount
Current	$	280,796
Over 60 Days		22,448
Over 90 Days		357,871
Total	$	661,115

At December 31, 2023, the District carried a reserve for possible uncollectible accounts of $365,241. Unbilled receivables were $108,747 at December 31, 2023.

COMMISSIONER	TERM EXPIRES
Bill Gilbert, Chairman	Expired
Randy Steagall, Secretary	Expired
Jason Carroll, Treasurer	8/2027
Steve Ison	7/2025
Mike Copley	11/2027

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL.

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
Rattlesnake Ridge Water District
Grayson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Rattlesnake Ridge 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 October 4, 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 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 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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 4, 2024

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Rattlesnake Ridge Water District
Grayson, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rattlesnake Ridge Water School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Rattlesnake Ridge Water District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Rattlesnake Ridge Water District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
October 4, 2024

RATTLESNAKE RIDGE WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(A) SUMMARY OF AUDIT RESULTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	______ yes __x__ no
Significant deficiency(ies) identified?	______ yes __x__ none reported
Noncompliance material to the financial statements noted?	______ yes __x__ no
Federal Awards	
Internal control over major federal programs:	
Material weakness(es) identified?	______ yes __x__ no
Significant deficiency(ies) identified?	__x__ yes ______ none reported
Type of audit auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ yes __x__ no
Identification of Major Programs:	ALN
Water and Waste Disposal for Rural Communities	10.760
Community Development Block Grant	14.228
Dollar threshold to distinguish between Type A and Type B Programs:	$ 750,000
The District qualified as a low risk auditee	______ yes __x__ no

(B) FINANCIAL STATEMENT FINDINGS

There were no findings in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-001 – AL 10.760 Water and Waste Disposal Systems for Rural Communities and AL 14.228 Community Development Block Grant– Procurement Policies (Significant Deficiency)

Criteria: In accordance with Uniform Guidance, Section 200.318(a), and 200.319(c) a non-Federal entity must have written procurement procedures that conform to procurement methods identified in the Uniform Guidance at Section 200.320.

Condition: The District has not adopted written policies as required by 200.318(a) and 200.319(c) that are consistent with the methods of procurement outlined in Section 200.320 of the Uniform Guidance.

Cause: The District received federal funds as part of loan and grant drawdowns for a construction project. The District typically does not receive federal funding and is unfamiliar with the written procurement requirements of the Uniform Guidance.

Effect: The District did not have written procurement policies that complied with the procurement standards of Uniform Guidance. However, due to State threshold's for bidding and oversight requirements of the loan program, the District complied, in all material respects, with the procurement methods allowed under the Uniform Guidance.

Recommendation: We recommend that the District document written procurement policies that comply with the Uniform Guidance and include in those policies the allowed methods of procurement under Section 200.320.

Response: Management agrees with the finding and will prepare or have prepared a written procurement policy which complies with the requirements of Uniform Guidance.

RATTLESNAKE RIDGE WATER DISTRICT
P.O. BOX 475
GRAYSON, KY 41143
(606) 474-7570

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2023

Finding Number	Corrective Action Plan	Status	Responsible Contact Person
2023-001	The District has adhered to the Uniform Guidance procurement codes as established under Section 200.320 informally. The District will consider adopting a written formal policy.	Immediately	David Gifford, Manager