

TRIMBLE COUNTY WATER DISTRICT #1

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

At December 31, 2023 and 2022

**TRIMBLE COUNTY WATER DISTRICT #1
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Trimble County Water District #1
Bedford, Kentucky 40006

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Trimble County Water District # 1 as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Trimble County Water District # 1'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 financial position of the Trimble County Water District # 1, as of December 31, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trimble County Water District # 1 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 Trimble County Water District # 1'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Commissioners of the
Trimble County Water District # 1
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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trimble County Water District # 1'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 Trimble County Water District # 1'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 required supplementary information listed in the table of contents on pages 25 through 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024, on our consideration of the Trimble County Water District # 1'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 Trimble County Water District # 1'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 Trimble County Water District # 1's internal control over financial reporting and compliance.

Raisor, Zapp & Woods PSC

RAISOR, ZAPP & WOODS, P.S.C.
Certified Public Accountants
Carrollton, Kentucky

July 31, 2024

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF NET POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets:		
Cash	\$ 481,728	\$ 672,358
Accounts Receivable (Net)	111,509	82,511
Other Receivables	35,631	11,747
Inventory	44,964	45,327
Prepaid Expenses	8,724	8,298
Total Current Assets	\$ 682,556	\$ 820,241
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	\$ 356,134	\$ 333,016
Capital Assets (Net)	4,255,348	3,944,323
Total Noncurrent Assets	\$ 4,611,482	\$ 4,277,339
Total Assets	\$ 5,294,038	\$ 5,097,580
DEFERRED OUTFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 107,248	\$ 94,063
Attributable to Employee Benefit Plan	43,891	54,581
Total Deferred Outflows of Resources	\$ 151,139	\$ 148,644
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 8,092	\$ 18,301
Retainage & Construction Payable	22,242	-
Accrued Compensated Absences	14,847	5,265
Accrued Salaries, Wages & Benefits	6,820	4,583
Accrued Payroll Taxes/Employee Withholding	50,056	23,731
Utility Tax Payable	2,588	1,322
Sales Tax Payable	931	765
Accrued Interest Payable - Note Payable	3,869	5,688
Note Payable - Current Portion	28,522	27,412
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable	44,400	43,100
Total Current Liabilities	\$ 182,367	\$ 130,167
Noncurrent Liabilities:		
Note Payable	\$ 483,874	\$ 512,148
Revenue Bonds Payable	1,998,594	2,042,994
Net Pension Liability	333,787	354,655
Net OPEB Liability	(7,182)	96,801
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	37,680	41,992
Total Noncurrent Liabilities	\$ 2,846,753	\$ 3,048,590
Total Liabilities	\$ 3,029,120	\$ 3,178,757
DEFERRED INFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 72,309	\$ 46,067
Attributable to Employee Benefit Plan	132,947	64,577
Total Deferred Inflows of Resources	\$ 205,256	\$ 110,644
NET POSITION		
Net Investment in Capital Assets	\$ 1,722,175	\$ 1,318,669
Restricted for Debt Service	301,820	278,345
Unrestricted	186,806	359,809
Total Net Position	\$ 2,210,801	\$ 1,956,823

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Charges for Services:		
Water Charges (Net of Estimated Bad Debts)	\$ 788,716	\$ 718,399
Bulk Water Charges	5,150	208
Sewer Billing Charges	5,196	5,196
Hydrant Rental Charges	1,008	1,008
Total Charges for Services	\$ 800,070	\$ 724,811
Other Charges and Miscellaneous:		
Connect, Reconnect and Disconnect Charges	\$ 5,437	\$ 17,240
Forfeited Discounts	13,591	14,162
Miscellaneous	1,715	-
Total Other Charges and Miscellaneous	\$ 20,743	\$ 31,402
Total Operating Revenues	\$ 820,813	\$ 756,213
Operating Expenses:		
Administrative Salaries	\$ 64,350	\$ 60,369
Accounting and Collecting Labor	48,720	36,197
Chemicals	4,247	3,940
Commissioner Fees	18,000	18,000
Contractual Service - Sampling	10,849	5,900
Dues	500	383
Employee Benefits	29,406	32,853
Insurance	18,370	22,925
Maintenance of Mains	104,851	70,750
Miscellaneous	20,097	15,894
Office Supplies and Expense	35,708	40,237
Operating Labor	104,651	52,976
Other Interest Expense	13,569	4,782
Payroll Taxes	19,934	13,655
Professional Services	24,857	21,286
Regulatory Fees	989	1,251
Retirement and OPEB Expense	20,954	47,406
Transportation Expense	12,983	14,609
Utilities	60,046	59,575
Depreciation Expense	215,268	213,473
Total Operating Expenses	\$ 828,349	\$ 736,461
Net Operating Income	\$ (7,536)	\$ 19,752
Nonoperating Revenue (Expense):		
Investment Income	\$ 6,169	\$ 1,789
Interest Expense	(89,230)	(90,181)
Total Nonoperating Revenues (Expense)	\$ (83,061)	\$ (88,392)
Income (Loss) Before Contributions	\$ (90,597)	\$ (68,640)
Capital Contributions	344,575	16,200
Change in Net Position	\$ 253,978	\$ (52,440)
Net Position - Beginning of Year	1,956,823	2,009,263
Net Position--End of Year	\$ 2,210,801	\$ 1,956,823

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 765,051	\$ 748,147
Payments to Suppliers	(384,678)	(370,145)
Payments to Employees	(233,265)	(154,570)
Net Cash Provided (Used) by Operating Activities	\$ 147,108	\$ 223,432
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	\$ 344,575	\$ 16,200
Purchase of Capital Assets	(504,051)	(35,444)
Principal Paid on Capital Debt	(70,264)	(72,848)
Interest Paid on Capital Debt	(91,049)	(88,671)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (320,789)	\$ (180,763)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (123)	\$ (373)
Interest Received	6,169	1,789
Net Cash Provided (Used) by Investing Activities	\$ 6,046	\$ 1,416
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (167,635)	\$ 44,085
Balances-Beginning of the Year	901,395	857,310
Balances-End of the Year	\$ 733,760	\$ 901,395

	Balances Per December 31, 2023 Statement of Net Position	Balances Per December 31, 2023 Statement of Cash Flows
Cash	\$ 481,728	\$ 481,728
Restricted Cash	252,032	252,032
Restricted Time Deposits	104,102	-
Total Cash and Cash Equivalents, End of Year	\$ 837,862	\$ 733,760
	Balances Per December 31, 2022 Statement of Net Position	Balances Per December 31, 2022 Statement of Cash Flows
Cash	\$ 672,358	\$ 672,358
Restricted Cash	229,037	229,037
Restricted Time Deposits	103,979	-
Total Cash and Cash Equivalents, End of Year	\$ 1,005,374	\$ 901,395

(Continued)

**TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2023 and 2022**

	2023	2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (7,536)	\$ 19,752
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	215,268	213,473
Pension Expense	(7,811)	2,821
OPEB Expense	(24,923)	1,137
Change in Assets and Liabilities:		
Receivables, Net	(28,998)	(7,826)
Receivables, Other	(23,884)	11,921
Inventories	363	(11,293)
Prepaid Expenses	(426)	(874)
Accounts Payable	(10,209)	(8,045)
Accrued Expenses	39,576	2,606
Customer Meter Deposits Payable	(4,312)	(240)
Net Cash Provided by Operating Activities	\$ 147,108	\$ 223,432

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At December 31, 2023, Trimble County Water District #1 reported \$22,242 of construction payables.
At December 31, 2022, Trimble County Water District #1 reported no capital expenditures or other noncash investing or financing activities outstanding.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of entity: Trimble County Water District #1 is a rural water company serving approximately 1,500 customers in Trimble County, Kentucky, and is regulated by the Public Service Commission of the Commonwealth of Kentucky. The water district was formed under the laws of the above-mentioned county through its Fiscal Court and began operations in March, 1956.

In evaluating how to define Trimble County Water District #1 for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

A summary of the District's significant accounting policies follows:

Basis of presentation and accounting: As stated in Kentucky Revised Statutes (KRS) 278.015, "any water district shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission." In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted; and unrestricted components.

Revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

The District adheres to the use restrictions established by Bond Agreements when expenses are incurred for which both restricted and unrestricted net position is available. The District has no policy defining which resources (restricted or unrestricted) to use first.

Debt Issuance Costs: Debt issuance costs are expensed as incurred.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment: Property and equipment purchased or constructed is stated at cost. Costs associated with hook-up fees are capitalized as meters, installations and services. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives by type of asset is as follows:

- Structures & Improvements	15-40 years
- Distribution System	33-60 years
- Wells	33 years
- Machinery & Equipment	5-33 years

Inventory: Inventories are stated at latest cost.

Compensated absences: See Note 9 for the District's policy on vacation and sick pay.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS.

Post Employment Benefits Other Than Pensions: For purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred outflows of resources and deferred inflows of resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.

Income taxes: Trimble County Water District #1 is not subject to income taxes.

Contributed capital: Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District recognizes capital contributions as revenues, in the statement of revenues, expenses and changes in fund net position. Tap on fees of \$14,850 and \$16,200 were received by the District for the years ended December 31, 2023 and 2022, respectively. \$329,725 of KIA Cleaner Water Grant Funds were received for the year ended December 31, 2023. No Build America Bond interest reimbursement was received by the District during the years ended December 31, 2023 and 2022, respectively.

Net position: Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net position not included in the above categories.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows: For the purpose of the Statement of Cash Flows, Trimble County Water District #1 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS

The Bond and Interest Sinking Account was established with the original RECD bond issue. Under the bond resolution which established this account, it was provided that a minimum balance be maintained in this account as security to the bondholders. In order to attain the minimum balance, the monthly transfer to be made into the account for the 2009 and 2010 Bond Issues is as follows:

	one sixth (1/6) of the next semiannual interest payment
+	<u>one twelfth (1/12) of the next annual principal payment</u>
=	monthly transfer

Transfers sufficient to meet the annual obligation outstanding on the issues were made timely during the years ended December 31, 2023 and 2022.

Upon the issuance of the original 1992 Rural Development bonds, a Depreciation Account was established to provide funds for extraordinary repairs and extensions to the system and/or make up any deficiency in the Bond and Interest Sinking Account. After monthly deposits are made into the Bond and Interest Account, monthly transfers are required to be made to the Depreciation Account. Subsequent issues ratified the requirements set forth in the 1992 issue. Under it and subsequent issues, the following transfers were established and continue in effect:

Under the original 1992 issue a monthly transfer of \$315 was required until \$37,800 was accumulated in the account. Under the 2009 issue, an additional monthly transfer of \$570 was required until \$68,400 was accumulated in the account. Under the 2017 issue, an additional monthly transfer of \$435 was required until \$120,600 was accumulated in the amount. At year end the account was properly funded.

NOTE 3 – CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities, including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2023 and 2022, in accordance with the District's policy, \$354,102 and \$437,005 respectively, of the District's deposits were covered by federal depository insurance and \$174,833 and \$234,351 respectively, were collateralized by securities held by the pledging financial institution's agent in the District's name. The District had \$380,572 and \$377,842 of deposits that were exposed to custodial credit risk at December 31, 2023 and December 31, 2022, respectively.

At December 31, 2023 and 2022, the District's deposits were as follows:

December 31, 2023

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ -	\$ -
Time/Savings Deposits	909,507	837,267
Total Deposits	\$ 909,507	\$ 837,267

December 31, 2022

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ -	\$ -
Time/Savings Deposits	1,049,198	1,004,779
Total Deposits	\$ 1,049,198	\$ 1,004,779

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 3 – CASH AND INVESTMENTS (Continued)

Reconciliation to Statement of Net Position:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unrestricted Cash	\$ 481,728	\$ 672,358
Restricted Cash, Including Time Deposits	356,134	333,016
Less: Cash on Hand	(595)	(595)
	<u>\$ 837,267</u>	<u>\$ 1,004,779</u>

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash, Including Time Deposits		
Bond and Interest Sinking Account	\$ 158,629	\$ 153,411
Depreciation Account	143,191	124,937
Customer Deposits	54,314	54,668
Total Restricted Cash, Including Time Deposits	<u>\$ 356,134</u>	<u>\$ 333,016</u>

NOTE 5 – CUSTOMER DEPOSITS/ESCROW

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full). Deposits received from customers are held in an interest-bearing account (which is included in the financial statements as restricted cash). Records are maintained which detail the accrued interest on each customer's deposit based on the current annual rate. Accrued interest is paid annually and when the deposit is refunded.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022, was as follows:

	<u>Balance at January 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2023</u>
Land & Land Rights	\$ 23,957	\$ -	\$ -	\$ 23,957
Structures & Improvements	559,455	6,000	-	565,455
Distribution System	6,160,965	465,200	-	6,626,165
Wells	144,976	-	-	144,976
Machinery & Equipment	1,410,435	55,093	32,271	1,433,257
Totals at Historical Cost	<u>\$ 8,299,788</u>	<u>\$ 526,293</u>	<u>\$ 32,271</u>	<u>\$ 8,793,810</u>
Less: Accumulated Depreciation				
Structures & Improvements	\$ (287,553)	\$ (12,769)	\$ -	\$ (300,322)
Distribution System	(2,856,837)	(157,261)	-	(3,014,098)
Wells	(108,060)	(3,874)	-	(111,934)
Machinery & Equipment	(1,103,015)	(41,364)	32,271	(1,112,108)
Total Accumulated Depreciation	<u>\$ (4,355,465)</u>	<u>\$ (215,268)</u>	<u>\$ 32,271</u>	<u>\$ (4,538,462)</u>
Capital Assets, Net	<u>\$ 3,944,323</u>	<u>\$ 311,025</u>	<u>\$ -</u>	<u>\$ 4,255,348</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance at January 1, 2022	Additions	Disposals	Balance at December 31, 2022
Land & Land Rights	\$ 23,957	\$ -	\$ -	\$ 23,957
Structures & Improvements	549,995	9,460	-	559,455
Distribution System	6,144,765	16,200	-	6,160,965
Wells	144,976	-	-	144,976
Machinery & Equipment	1,400,651	9,784	-	1,410,435
Totals at Historical Cost	<u>\$ 8,264,344</u>	<u>\$ 35,444</u>	<u>\$ -</u>	<u>\$ 8,299,788</u>
Less: Accumulated Depreciation				
Structures & Improvements	\$ (275,027)	\$ (12,526)	\$ -	\$ (287,553)
Distribution System	(2,698,414)	(158,423)	-	(2,856,837)
Wells	(104,186)	(3,874)	-	(108,060)
Machinery & Equipment	(1,064,365)	(38,650)	-	(1,103,015)
Total Accumulated Depreciation	<u>\$ (4,141,992)</u>	<u>\$ (213,473)</u>	<u>\$ -</u>	<u>\$ (4,355,465)</u>
Capital Assets, Net	<u>\$ 4,122,352</u>	<u>\$ (178,029)</u>	<u>\$ -</u>	<u>\$ 3,944,323</u>

Included under the District's Plant Assets at December 31, 2023 and 2022, was \$1,154,373 and \$1,168,243 of fully depreciated assets, respectively. Land and land rights and construction in process are capital assets not being depreciated.

Depreciation expense aggregated \$215,268 and \$213,473 in 2023 and 2022, respectively.

NOTE 7 – CUSTOMER ACCOUNTS RECEIVABLE

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of \$28,857 and \$28,268 at December 31, 2023 and 2022, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data.

At December 31, 2023 and 2022 other receivables consists of \$5,656 from Kentucky Transportation Cabinet regarding reimbursement on costs for a water line relocation. In addition at December 31, 2023 other receivables consists of funds due from Kentucky Infrastructure Authority Cleaner Water Act Grant in the amount of \$29,975. At December 31, 2022 other receivables consisted of funds due from Kentucky Revenue Cabinet for over submission of employee withheld taxes \$6,090.

NOTE 8 – LONG-TERM LIABILITIES

As of December 31, 2023 and 2022, long-term liabilities payable consisted of the following:

Bonds Payable:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
RECD Revenue Bonds of 2009, original issue amount of \$931,000, secured by water revenues. Interest is charged at the rate of 4.25% per annum. Final maturity is July 1, 2047.	\$ 740,400	\$ 758,000
RECD Revenue Bonds of 2010 (Build America Bonds – Direct Payment), original issue amount of \$301,000 secured by water revenues. Interest is charged at the rate of 3.75% per annum. Final maturity is July 1, 2048.	244,000	249,500
RECD Revenue Bonds 2017, original issue amount of \$1,174,000, secured by water revenues. Interest is charged at the rate of 2.375% per annum. Final maturity is July 1, 2057.	1,058,594	1,078,594
Total Bonds Payable	<u>\$ 2,042,994</u>	<u>\$ 2,086,094</u>
Current Portion	\$ 44,400	\$ 43,100
Noncurrent Portion	1,998,594	2,042,994
Total Bonds Payable	<u>\$ 2,042,994</u>	<u>\$ 2,086,094</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 8 – LONG-TERM LIABILITIES (Continued)

	December 31, 2023	December 31, 2022
Note Payable:		
The Farmers Bank of Milton fixed rate mortgage agreement dated October 31, 2013. Original issue amount of \$804,000. Interest is charged at the rate of 4.05% per annum, secured by a real estate mortgage on properties at 34 East Morgan Drive, Bedford, Kentucky and 610 Highway 421N, Bedford, Kentucky. Annual payments of \$51,738. Final maturity is October 31, 2038.	\$ 512,396	\$ 539,560
Current Portion	\$ 28,522	\$ 27,412
Noncurrent Portion	483,874	512,148
Total Note Payable	\$ 512,396	\$ 539,560

Accrued Compensated Absences:

All Current	\$ 14,847	\$ 5,265
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Direct Placement Debt

Revenue Bonds of 2009 – RECD

At original issue, \$931,000 of RECD bonds were outstanding at the interest rate of 4.25% per annum with maturity dates ranging from 2010-2047. On December 31, 2023, \$740,400 of bonds were outstanding on this issue. On December 31, 2022, \$758,000 bonds were outstanding on this issue.

Revenue Bonds of 2010 – Build America Bonds – RECD U.S. Department of Agriculture

On October 21, 2010, Trimble County Water District #1 issued \$301,000 taxable Waterworks Revenue Bonds, Series 2010 with an interest rate of 3.75%. The proceeds were used to finance the water main steam crossing replacement project. The final payment will be due July 1, 2048. These bonds are taxable Build America Bonds. As such, the District should receive annual federal credit payments toward the debt service of approximately 35% of each interest payment due. The credit will amount to \$94,277 over the life of the issue. On December 31, 2023, \$244,000 of bonds were outstanding on this issue. On December 31, 2022, \$249,500 of bonds were outstanding on this issue.

Revenue Bonds of 2017 – RECD

On January 5, 2018, Trimble County Water District #1 issued \$1,174,000 Waterworks Revenue Bonds, Series 2017 with an interest rate of 2.375%. The proceeds were used to finance the water improvement project. The final payment will be due July 1, 2057. On December 31, 2023, \$1,058,594 of bonds were outstanding for this issue. On December 31, 2022, \$1,078,594 of bonds were outstanding on this issue.

Direct Borrowing Debt

Note Payable – The Farmers Bank of Milton

On October 31, 2013, Trimble County Water District #1 entered into a note payable agreement with The Farmers Bank of Milton at an interest rate of 4.05% to refinance a portion of its then outstanding debt through an advance refunding of the following RECD revenue bond issues outstanding: Series 1992, \$321,320; Series 1997, \$49,400; and Series 2000, \$477,600. The 1992 Series was originally issued at 5.625%. The 1997 Series and 2000 Series were originally issued at 5.00%. As a result of the advance refunding, the District reduced its total debt service requirements by \$114,068, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$83,797. Final maturity on the note is October 31, 2038. The principal balance outstanding at December 31, 2023 was \$512,396. The principal balance outstanding at December 31, 2022 was \$539,560.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the years ended December 31, 2023 and 2022.

December 31, 2023

	Balance at January 1, 2023	Additions	Repayments	Balance at December 31, 2023	Current Portion
Bonds Payable/Direct Placement	\$ 2,086,094	\$ -	\$ 43,100	\$ 2,042,994	\$ 44,400
Note Payable/Direct Borrowing	539,560	-	27,164	512,396	28,522
Accrued Compensated Absences	5,265	9,582	-	14,847	14,847
Total Long-Term Liabilities	<u>\$ 2,630,919</u>	<u>\$ 9,582</u>	<u>\$ 70,264</u>	<u>\$ 2,570,237</u>	<u>\$ 87,769</u>

December 31, 2022

	Balance at January 1, 2022	Additions	Repayments	Balance at December 31, 2022	Current Portion
Bonds Payable/Direct Placement	\$ 2,127,994	\$ -	\$ 41,900	\$ 2,086,094	\$ 43,100
Note Payable/Direct Borrowing	570,508	-	30,948	539,560	27,412
Accrued Compensated Absences	12,235	3,120	10,090	5,265	5,265
Total Long-Term Liabilities	<u>\$ 2,710,737</u>	<u>\$ 3,120</u>	<u>\$ 82,938</u>	<u>\$ 2,630,919</u>	<u>\$ 75,777</u>

The annual requirements for all long-term debt outstanding at December 31, 2023 are as follows:

Due	Bonds	Bond Interest	Federal Credit Interest Payment	Note Payable	Note Payable Interest	Total Principal & Interest
2024	\$ 44,400	\$ 61,955	\$ 3,203	\$ 28,522	\$ 23,216	\$ 161,296
2025	46,100	60,532	3,130	29,677	22,061	161,500
2026	47,400	59,051	3,052	30,879	20,859	161,241
2027	49,300	57,524	2,973	32,130	19,608	161,535
2028	51,200	55,933	2,888	33,431	18,307	161,759
2029-2033	283,100	253,679	13,014	188,594	70,096	808,483
2034-2038	335,400	204,206	10,271	169,163	26,671	745,711
2039-2043	397,500	144,928	6,891	-	-	549,319
2044-2048	421,500	74,962	2,766	-	-	499,228
2049-2053	194,500	32,425	-	-	-	226,925
2054-2057	172,594	8,455	-	-	-	181,049
	<u>\$ 2,042,994</u>	<u>\$ 1,013,650</u>	<u>\$ 48,188</u>	<u>\$ 512,396</u>	<u>\$ 200,818</u>	<u>\$ 3,818,046</u>

If there is any default in the payment of the principal of or interest on any of the bonds, then upon the filing of suit by any holder of said bonds, any court having jurisdiction of the action may appoint a receiver to administer the system on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of current expenses, and to apply the revenues in conformity with the bond resolution and the provisions of the statute laws of Kentucky

Upon the occurrence of an event of default, Farmers Bank of Milton shall be entitled to the appointment of a receiver of the System and all receipts therefrom. Farmers Bank of Milton may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the District defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by Farmers Bank of Milton.

There are no unused lines of credit.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 8 – LONG-TERM DEBT (Continued)

The annual requirements for all long-term debt outstanding at December 31, 2022, are as follows:

<u>Due</u>	<u>Bonds</u>	<u>Bond Interest</u>	<u>Federal Credit Interest Payment</u>	<u>Note Payable</u>	<u>Note Payable Interest</u>	<u>Total Principal & Interest</u>
2023	\$ 43,100	\$ 63,335	\$ 3,275	\$ 27,412	\$ 24,326	\$ 161,448
2024	44,400	61,955	3,203	28,522	23,216	161,296
2025	46,100	60,532	3,130	29,677	22,061	161,500
2026	47,400	59,051	3,052	30,879	20,859	161,241
2027	49,300	57,524	2,973	32,130	19,608	161,535
2028-2032	273,600	262,555	13,500	181,253	77,437	808,345
2033-2037	324,200	214,825	10,868	209,687	37,637	797,217
2038-2042	384,400	157,649	7,620	-	-	549,669
2043-2047	457,000	89,172	3,668	-	-	549,840
2048-2052	203,500	37,318	174	-	-	240,992
2053-2057	213,094	13,068	-	-	-	226,162
	<u>\$ 2,086,094</u>	<u>\$ 1,076,984</u>	<u>\$ 51,463</u>	<u>\$ 539,560</u>	<u>\$ 225,144</u>	<u>\$ 3,979,245</u>

NOTE 9 – COMPENSATED ABSENCES

Vacation and sick pay are considered an expense in the year incurred. Vacation leave may be accumulated and carried forward from one calendar year to the next, not to exceed 240 hours. Upon termination, the employee is compensated for any accrued but unused vacation. At December 31, 2023 and 2022, a liability for accrued vacation was recorded in the amount of \$14,847 and \$5,265, respectively.

Vacation days accumulate as follows:

After completion of 1 year	40 hours
After completion of 3 years	80 hours
After completion of 10 years	120 hours
After completion of 15 years	160 hours

Full time employees accumulate 8 hours of sick leave for each month of service. Sick leave may be accumulated from one year to the next, but are not to exceed twenty-four days in any two-year period. Upon termination of employment, no portion of accrued and unused sick leave is payable. The District had an unrecorded sick pay liability to its employees of \$4,303 and \$8,057 at December 31, 2023 and 2022, respectively. In previous years, comp time accrued was not included in the compensated absences liability because it was expected that comp time would be used in exchange for hours not worked. In 2024, the District changed their policy on comp time and remaining comp time was paid out to employees. Included in accrued compensated absences at December 31, 2023, was \$9,363 of liability for comp time accrued. The estimated liabilities include required salary related payments.

NOTE 10 – FUND EQUITY- RESTRICTED NET POSITION

Restricted for Debt Service:

RECD Revenue Bonds of 2009, 2010 & 2017

	2023	2022
Cash	\$ 301,820	\$ 278,345
Add: Accrued Interest Receivable	-	-
Less: Accrued Interest Payable	-	-
Total Restricted for Debt Service	\$ 301,820	\$ 278,345

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 10 – FUND EQUITY- RESTRICTED NET POSITION (Continued)

Unrestricted net position was increased/(decreased) by \$32,734 and (\$3,958) for the years ended December 31, 2023 and 2022, respectively, as a result of the transactions recorded by the District to reflect its proportionate share of the County Employees Retirement System's Net Pension Liability and Net OPEB Liability. The accounts affected were as follows:

	2023	2022
Increase (Decrease) in Deferred Outflows of Resources	\$ 2,495	\$ 69,100
(Increase) Decrease in Deferred Inflows of Resources	(94,612)	21,274
(Increase) Decrease in Net Pension Liability	20,868	(79,986)
(Increase) Decrease in Net OPEB Liability	103,983	(14,346)
Net Increase in Unrestricted Net Position	\$ 32,734	\$ (3,958)

NOTE 11 – BAD DEBT EXPENSE

At December 31, 2023 and 2022, water revenue charges have been netted with an estimated bad debt expense of \$0 and \$3,402, respectively.

NOTE 12 – INTEREST EXPENSE

Interest expense incurred for the years ended December 31, 2023 and 2022 was \$102,799 and \$94,963, respectively.

NOTE 13 – WHOLESALE WATER RATES

Trimble County Water District #1 supplies water for resale to the West Carroll Water District/Carrollton Utilities which was acquired by Carrollton Utilities effective July 1, 2021. The wholesale rate charged to West Carroll Water District/Carrollton Utilities is as follows: \$236.40 minimum for the first 50,000 gallons plus an additional \$4.10 per 1,000 gallons over the first 50,000 gallons. These rates became effective June 1, 2017. There is no minimum purchase amount.

NOTE 14 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. and is also subject to the risks associated with employee injury. Each of these risks is covered through the purchase of insurance through the Kentucky Association of Counties and Commercial Insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE 15 – RETIREMENT PLAN

The Trimble County Water District #1 is a participating employer of the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees administered by the Kentucky Public Pension Authority (KPPA). Under the provisions of Kentucky Revised Statute 78.782 and 61.645, the KPPA oversees the administration and operation of the CERS. The CERS Board has nine trustees, three elected by the membership and six appointed by the Governor. The CERS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about CERS' fiduciary net position. These financial statements may be downloaded from the KPPA website, kyret.ky.gov.

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

Basis of Accounting – CERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

**TRIMBLE COUNTY WATER DISTRICT #1
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2023 and 2022**

NOTE 15 – RETIREMENT PLAN (Continued)

Contributions – For the year ended December 31, 2023, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended December 31, 2023, participating employers contributed 26.79% through June 30th and 23.34% thereafter, of each non-hazardous employee’s creditable compensation, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and the insurance trust. The insurance trust is more fully described in Note 16. For the year ended December 31, 2023, plan members contributed 23.40% through June 30th and 23.34% thereafter to the pension for non-hazardous job classifications. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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

For the year ended December 31, 2023, the District contributed \$49,254 or 100% of the required contribution for non-hazardous job classifications.

House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

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

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

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 15 – RETIREMENT PLAN (Continued)

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

Prior to July 1, 2009, cost-of-living (COLA) adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. Senate Bill 2 passed during the 2013 Regular Session states COLAs will only be granted in the future if the Systems' Boards determine that assets of the Systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA. Cost-of-living adjustments are provided at the discretion of the Kentucky General Assembly. Kentucky Revised Statute 78.5518 governs how COLAs may be granted for members of CERS. No COLA has been granted since July 1, 2011.

Actuarial Methods and Assumptions to Determine the Total Pension Liability and the Net Pension Liability – For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. The Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022", and include a change in the investment return assumption from 6.25% to 6.50%. The Total Pension Liability as of June 30, 2023 is determined using these updated assumptions. Additionally, House Bill 506 passed during the 2023 legislative session adjusted the minimum required separations period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances under the plan. This is a relatively small change for future retirees in the non-hazardous plan. As the minimum separation period was previously three months in almost every circumstance, the total pension liability as of June 30, 2023 included a 1% increase in the rate of retirement for each of the first two years a non-hazardous 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 non-hazardous plan is determined using these updated benefit provisions. There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% - 10.30%, varies by service
Investment Rate of Return	6.50%

In determining the total pension liability as of June 30, 2023, the mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 15 – RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions to Determine the Actuarial Determined Contributions for Fiscal Year 2023 -

The following actuarial methods and assumptions, were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed period at June 30, 2019, <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
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 Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

Method Used to Value Investments/Investment Objectives – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded net of investment fees.

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

- **Shorter-Term (5 years and less):** The returns of the particular asset classes of the managed funds, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio of comparable unmanaged market indices.
- **Medium-Term (5 to 20 years):** The returns of the particular asset classes of the managed funds, measured on a rolling 5 to 20 year basis should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices and perform above the median of an appropriate peer universe, if there is one.
- **Longer-Term:** The total assets of the KRS should achieve a return of 6.50% for CERS pension and insurance plans. This is measured for 20 years and beyond and should exceed the actuarially required rate of return as well as the return achieved by its total fund benchmark.

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage. The target asset allocation (applies to all pension and insurance funds maintained by CERS) and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.50% per annum.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 12 – RETIREMENT PLAN (Continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension - At December 31, 2023, the District reported a liability of \$333,787 for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and was rolled forward using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion was 0.005202 percent, which was an increase of 0.000296 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized pension expense of \$38,078. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2023		December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 17,279	\$ 907	\$ 379	\$ 3,158
Change in Assumptions	-	30,592	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	26,601	199	28,671	3,743
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	36,058	40,611	48,258	39,166
District Contributions Made Subsequent to the NPL Measurement Date	27,310	-	16,755	-
Total	\$ 107,248	\$ 72,309	\$ 94,063	\$ 46,067

\$27,310 and \$16,755 reported as deferred outflows of resources related to pensions arising from District contributions made after the measurement date will be recognized as a reduction in the net pension liability in the years ended December 31, 2024, and December 31, 2023, respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 15 – RETIREMENT PLAN (Continued)

expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

Year Ended December 31, 2023	Increase (Decrease) to Pension Expense
2024	\$ 9,936
2025	(6,526)
2026	7,451
2027	(3,232)
	\$ 7,629

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% assumes that CERS fund receives the required employer contributions each future year, as determined by the current funding policy established by Statute, as amended by House Bill 362, (passed during the 2018 legislative session) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2023, calculated using the discount rates of 6.50%], as well as what CERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2023	1% Decrease [5.50%]	Current Discount [6.50%]	1% Increase [7.50%]
Net Pension Liability	\$ 8,101,229,535	\$ 6,416,508,407	\$ 5,016,441,878
District's Proportionate Share	421,426	333,787	260,955

Payable to the Pension Plan - The District reported a payable of \$28,283 as of December 31, 2023, for the outstanding amount of contributions required to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation. The District is working to correct previously filed retirement reports. The expense has been accrued properly but has not yet been paid. The reported payable includes the current year payable of \$12,798 as well as \$15,485 from previous years. In addition the District reported a payable of \$5,817 of employee withholding payable to the County Employees' Retirement System. The reported payable includes the current year payable of \$2,193 as well as \$3,624 from previous years.

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 15, the District participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

The CERS Nonhazardous Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the CERS Board and are required by the employers, and the employees' contributions are set by Kentucky Revised Statute 78.5536(3)(b)(1) and 61.702(3)(b)(1). KPPA recognized employer and employee contributions to the plans through June 30, 2023. OPEB expenses are recognized as the benefits come due for the plan, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2023. KPPA contracts with DEI and Humana Inc to administer the claims. DEI administers retiree claims for retirees who are non-Medicare eligible, and Humana administers retiree claims for members who are Medicare eligible. Since 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

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Contributions – As more fully described in Note 15, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2023, the employer's contribution was 3.39% through June 30th and 0.00% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of the Kentucky Public Pension Authority are financed through employer contributions and investment earnings.

The total OPEB liability as of June 30, 2023 is determined using these updated benefit provisions. There were no other material plan provision changes.

For the year ended December 31, 2023, the District contributed \$2,974 or 100% of the required contribution for non-hazardous job classifications.

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

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

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

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability – For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

The Board of Trustees adopted new actuarial assumptions on May 9, 2023, and June 5, 2023, respectively. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022". Additionally, the discount rate used to calculate the total OPEB liability increased from 5.70% to 5.93% for the non-hazardous plan. Additionally, House Bill 506 passed during the 2023 legislative session adjusted the minimum required separations period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances under the plan. This is a relatively small change for future retirees in the non-hazardous plan. As the minimum separation period was previously three months in almost every circumstance, the total OPEB liability as of June 30, 2023 included a 1% increase in the rate of retirement for each of the first two years a non-hazardous member

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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, is determined using these updated assumptions. The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% - 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rate	
Pre – 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% at January 1, 2023, then 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.

In determining the total OPEB liability as of June 30, 2023, the mortality table used for active members was PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled retired members was PUB-2010 Disabled Mortality table, with a 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 2023.

Actuarial Methods and Assumptions to Determine the Actuarial Determined OPEB Contributions for Fiscal Year 2023 - The following actuarial methods and assumptions, were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, closed period at June 30, 2019, <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
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 Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rate	
Pre – 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post – 65	Initial trend starting at 6.30% at January 1, 2023, then 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.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2023, the District reported a liability/(asset) of (\$7,182) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportionate share was 0.005202 percent, which was an increase of 0.000297 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the District recognized OPEB expense of (\$22,232). At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2023		December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 5,007	\$ 101,980	\$ 9,744	\$ 22,199
Change in Assumptions	14,134	9,850	15,310	12,615
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	11,309	6,009	9,065	15,667
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	13,441	15,108	18,025	14,096
District Contributions Made Subsequent to the Net OPEB Measurement Date	-	-	2,437	-
Total	\$ 43,891	\$ 132,947	\$ 54,581	\$ 64,577

\$0 and \$2,437 reported as deferred outflows of resources related to OPEB arising from District contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the years ended December 31, 2024 and 2023 respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on OPEB plan investments will be netted and amortized over five years and recognized in OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in OPEB expense over the expected remaining service lives of all employees. Total amortization to be recognized in OPEB expense is presented below as follows:

Year Ended December 31, 2023	Increase (Decrease) to OPEB Expense
2024	\$ (24,767)
2025	(26,408)
2026	(19,252)
2027	(18,629)
	\$ (89,056)

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023 and 2022

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate – The single discount rate used to calculate the total OPEB liability within the plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes. A single discount rate of 5.93% was used to measure the total OPEB liability as of June 30, 2023, for the CERS Nonhazardous plan. This is an increase of 0.23% from the 5.70% discount rate used to measure the total OPEB liability as of June 30, 2022, for the CERS Nonhazardous plan. The single discount rate is 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 the fiscal year ending June 30, 2023, the plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarially determined contributions and any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in Note 15.

Sensitivity of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability to Changes in the Discount Rate and Healthcare Trend Rate - The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2023, calculated using the single discount rate of 5.93%], as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2023</u>	<u>1% Decrease [4.93%]</u>	<u>Current Discount [5.93%]</u>	<u>1% Increase [6.93%]</u>
Net OPEB Liability	\$ 259,098,308	\$ (138,066,692)	\$ (470,643,914)
District's Proportionate Share	13,478	(7,182)	(24,483)

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2023, calculated using the healthcare cost trend rate for the year ended June 30, 2023], as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

<u>As of June 30, 2023</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ (442,527,812)	\$ (138,066,692)	\$ 235,935,140
District's Proportionate Share	(23,020)	(7,182)	12,273

NOTE 17 – SUBSEQUENT EVENTS

Management has considered subsequent events through the date of this report July 31, 2024, for disclosure. No events were identified that would have impacted the financial statements for the year ended December 31, 2023.

TRIMBLE COUNTY WATER DISTRICT # 1
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 For the Years Ended December 31

Reporting Year End (Measurement Date)	2023 (June 30, 2023)	2022 (June 30, 2022)	2021 (June 30, 2021)	2020 (June 30, 2020)	2019 (June 30, 2019)	2018 (June 30, 2018)	2017 (June 30, 2017)	2016 (June 30, 2016)	2015 (June 30, 2015)
District's proportion of the net pension liability %	0.005202%	0.004906%	0.004308%	0.004446%	0.004707%	0.005237%	0.007655%	0.007200%	0.001961%
District's proportionate share of the net pension liability (asset)	\$ 333,787	\$ 354,655	\$ 274,669	\$ 341,005	\$ 331,045	\$ 318,949	\$ 448,071	\$ 354,495	\$ 84,334
District's covered employee payroll (calendar year)	\$ 201,802	\$ 189,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	165.40%	221.70%	191.99%	292.58%	274.28%	244.68%	231.19%	202.48%	178.79%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.3%	55.5%	59.97%

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

TRIMBLE COUNTY WATER DISTRICT # 1
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PENSION)
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 For Years Ended December 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required employer contributions	\$ 49,254	\$ 37,545	\$ 29,113	\$ 21,330	\$ 19,915	\$ 20,135	\$ 21,422	\$ 23,903	\$ 16,928
Contributions in relation to the contractually required contributions	49,254	37,545	29,113	21,330	19,915	20,135	21,422	23,903	16,928
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll (calendar year)	\$ 201,802	\$ 159,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
Contributions as a percentage of covered payroll	24.41%	23.47%	20.27%	19.30%	17.19%	15.36%	14.04%	13.52%	13.01%

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

TRIMBLE COUNTY WATER DISTRICT # 1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Years Ended December 31

Reporting Year End (Measurement Date)	2023 (June 30, 2023)	2022 (June 30, 2022)	2021 (June 30, 2021)	2020 (June 30, 2020)	2019 (June 30, 2019)	2018 (June 30, 2018)	2017 (June 30, 2017)
District's proportion of the net OPEB liability (asset) %	0.005202%	0.004905%	0.004307%	0.004444%	0.004707%	0.005237%	0.007655%
District's proportionate share of the net OPEB liability (asset)	\$ (7,182)	\$ 96,801	\$ 82,455	\$ 107,309	\$ 79,153	\$ 92,982	\$ 153,892
District's covered employee payroll (Calendar Year)	\$ 201,802	\$ 159,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-3.56%	60.51%	57.64%	92.08%	65.58%	71.33%	79.40%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.4%

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

TRIMBLE COUNTY WATER DISTRICT # 1
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (OPEB)
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 Years Ended December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contributions	\$ 2,974	\$ 5,439	\$ 7,640	\$ 7,110	\$ 6,638	\$ 6,711	\$ 7,140	\$ 7,967	\$ 5,643
Contributions in relation to the contractually required contributions	2,974	5,439	7,640	7,110	6,638	6,711	7,140	7,967	5,643
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll (calendar year)	\$ 201,802	\$ 159,970	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
Contributions as a percentage of covered payroll	1.47%	3.40%	5.29%	4.76%	5.57%	4.98%	4.76%	4.39%	4.33%

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

**TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023 AND 2022**

1. General Information

Contributions

Contractually required employer contributions reported on the Schedule of the District's Contributions (Pension) – County Employees Retirement System, exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of the District's Contributions (OPEB) – County Employees Retirement System.

Payroll

The District's covered payroll reported on the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Proportionate Share of the Net OPEB Liability is for the District's calendar year and differs from the CERS fiscal year.

2. Changes in Assumptions

December 31, 2023 – Pension & OPEB

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

- Pre-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of valuation and were incorporated into the liability measurement.

December 31, 2022 – Pension & OPEB

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

- Pre-65 initial healthcare trend rate starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of valuation and were incorporated into the liability measurement. Additionally, "Not to Exceed" 2022 Medicare premiums were provided, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

December 31, 2021 – Pension & OPEB

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 because of a duty related disability.

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

- Salary Increases of 3.30% to 10.30%, varies by service
- 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
- Pre-65 initial healthcare trend rate starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of valuation and were incorporated into the liability measurement.

**TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2023 AND 2022**

2. Changes in Assumptions (Continued)

December 31, 2020 – Pension & OPEB

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

- Pre-65 initial healthcare trend rate starting at 7.0% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
- Post-65 initial healthcare trend rate starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of valuation and were incorporated into the liability measurement.

December 31, 2019 – Pension & OPEB

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

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.30%
- Salary Increases of 3.30% to 11.55%
- Pre-65 initial healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- Post-65 initial healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

December 31, 2018 – Pension & OPEB

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 following assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for OPEB:

- Payroll Growth Rate 4.0%
- Investment Rate of Return 7.50%
- Inflation 3.25%
- Salary Increases 4.0%, average
- Mortality: RP-2000 Combined Mortality Table, Projected to 2013 with Scale BB (set back 1 year for females)
- Pre-65 initial healthcare trend rate starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
- Post-65 initial healthcare trend rate starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

December 31, 2017 – Pension

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

- Payroll Growth Rate 2.0%
- Investment Rate of Return 6.25%
- Inflation 2.3%

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2023 and 2022

2. Changes in Assumptions (Continued)

December 31, 2016 – Pension

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

December 31, 2015 – Pension

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

- Investment Rate of Return 7.50%
- Inflation 3.25%
- Wage Inflation 0.75%
- Salary Increases 4.0%
- Mortality:
 - Active Members: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
 - Healthy Retired Members & Beneficiaries: RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (set back 1 year for females).
 - Disabled Members: RP-2000 Combined Disability Mortality Table, projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Dennis S. Raisor, CPA
Jerilyn P. Zapp, CPA
Jeffery C. Woods, CPA
Susan A. Dukes, CPA

**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**

**To the Commissioners of the
Trimble County Water District # 1
Bedford, Kentucky 40006**

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 Trimble County Water District # 1 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Trimble County Water District # 1's basic financial statements, and have issued our report thereon dated July 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trimble County Water District # 1'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 Trimble County Water District # 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Trimble County Water District # 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trimble County Water District # 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-003.

Trimble County Water District # 1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Trimble County Water District # 1's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Trimble County Water District # 1's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Raisa, Zapp & Woods PSC

RAISOR, ZAPP, & WOODS P.S.C
Certified Public Accountants
Carrollton, Kentucky

July 31, 2024

TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Trimble County Water District #1 were prepared in accordance with GAAP.
2. Two material weaknesses disclosed during the audit of the financial statements are reported in the 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*. Items 2023-001 and 2023-002 were reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of Trimble County Water District #1, which would be required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit. It is identified in the Schedule of Findings and Responses as Item 2023-003.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2023-001 SIZE OF ENTITY, CROSS-TRAINING AND CHECKING PROCEDURES

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and allow timely preparation of financial data consistent with management assertions.

CONDITION:

Due to the size of the entity, cross-training and checking procedures are not in place for certain administrative functions. Tax Agency reports were inaccurate in several instances. Reconciliation of the general ledger to subsidiary ledgers was not performed consistently. This limits internal control. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2022 as Item 2022-001.

CAUSE:

Responsibilities associated with individual positions limit the availability of individuals to rotate duties and implement checking procedures.

EFFECT:

This limitation may affect the ability to timely record, process, summarize and report financial data.

RECOMMENDATION:

Management should strive to provide cross-training for administrative staff and implement checking processes.

VIEWS of RESPONSIBLE OFFICIALS and PLANNED CORRECTIVE ACTIONS:

We concur with the recommendation. Management and staff are working to implement additional procedures and processes to properly record and report transactions within the District. The staff size of the District will continue to limit segregation of duties and cross-training.

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
December 31, 2023**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

2023-002 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

CONDITION:

District financial statements, including the required disclosures, are prepared as part of the annual audit. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2022 as Item 2022-002.

CAUSE:

The draft financial statements and disclosures are prepared during the audit process.

EFFECT:

Management engaged the auditor's assistance to prepare the draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

RECOMMENDATION:

District management should continue to enhance its knowledge of reporting requirements in providing oversight of this service.

VIEWS of RESPONSIBLE OFFICIALS and PLANNED CORRECTIVE ACTIONS:

The outsourcing of this service is a result of management's cost benefit decision to avoid incurring internal resource costs. We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities. We are aware of our responsibilities for the financial statements. We have reviewed and accepted the financial statements as presented.

COMPLIANCE AND OTHER MATTERS

2023-003 FAILURE TO SECURE PUBLIC FUNDS AS REQUIRED UNDER KRS 66.480

CRITERIA:

KRS 66.480 requires a Depository to pledge securities to protect public funds except direct federal obligations and funds protected by FDIC insurance.

CONDITION:

The District had \$380,572 in deposits at December 31, 2023 that were not covered by FDIC insurance for which assets had not been pledged and considered at risk. This condition was also cited as a compliance issue in the schedule of findings and responses for the year ended December 31, 2022 as Item 2022-003 with \$377,842 at risk.

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
December 31, 2023**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

COMPLIANCE AND OTHER MATTERS

2023-003 FAILURE TO SECURE PUBLIC FUNDS AS REQUIRED UNDER KRS 66.480 (CONTINUED)

CAUSE:

The District had additional deposits in excess of the FDIC coverage limit and pledged securities during year while pledged securities also decreased at December 31, 2023.

EFFECT:

District funds in the amount of \$380,572 were unsecured at December 31, 2023.

RECOMMENDATION:

The District should review deposit balances and request that its depository pledge securities to secure its funds to comply with KRS 66.480 and to protect itself from custodial credit risk.

VIEWS OF RESPONSIBLE OFFICIALS:

The District will request the Depository to pledge assets to secure the District's funds as required.