

West Shelby Water District
Financial Statements
December 31, 2023 and 2022

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West Shelby Water District

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Independent Auditor's Report

To the Board of Directors
West Shelby Water District

Report on the Financial Statement

We have audited the accompanying financial statements of the business-type activities of West Shelby Water District ("the District"), as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the District, as of December 31, 2023 and the respective changes in financial position for the year than ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees' Retirement System of KPPA, the Schedule of Contributions Based on Participation in the County Employees' Retirement System of the KPPA, the Schedule of Net OPEB Liability and Related Ratios Based on Participation in the County Employees' Retirement System Insurance Fund of KPPA, and the Schedule of Contributions Based on Participation in the County Employees' Retirement System Insurance Fund of the KPPA on pages 30 and 33 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

Independent Auditor's Report (Continued)

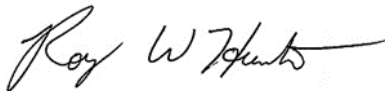
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position - Actual to Budget on pages 34 and 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Roy W. Hunter, CPA PLLC
Lexington, Kentucky
March 14, 2024

**West Shelby Water District
Management's Discussion and Analysis (*Unaudited*)
December 31, 2022 and 2022**

As management of the West Shelby Water District ("District"), we offer the readers of the District's financial statements this narrative overview and analysis of the financial performance of the District for the year ended December 31, 2023. We encourage readers to read it in conjunction with the District's financial statements and the accompanying notes.

Financial Highlights

- Cash and cash equivalents increased \$205,875 (12%)
- Restricted cash decreased \$1,109,726 (42%)
- Accounts receivable increased \$6,400 (5%)
- Inventory increased \$73,595 (42%)
- Prepaid expenses increased \$2,534 (16%).
- Property, plant and equipment (net) increased by \$2,055,814 (19%)
- Accounts payable decreased \$492 (9%)
- Accrued interest decreased \$1,200 (8%)
- Bonds/notes payable decreased \$51,000 (9%)
- Net position increased \$1,306,713 (9%)
- Total revenues increased \$150,960 (8%)
- Total expenses decreased \$1,419 (.1%)
- Operating income increased \$152,379 (148%)
- Non-operating revenues (net) increased \$72,000 (301%)

Overview of the Financial Statements

This financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the accompanying notes to the financial statements. The West Shelby Water District is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the District. These statements are presented in a manner similar to those of a private business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows provides relevant information about the cash receipts and cash payments of the District during the fiscal year. The statement should help users assess the District's ability to generate future net cash flows, meet future obligations as they become due, and assess the District's need for future external financing, the reasons for differences in operating and related cash receipts and cash payments, and the effects on financial position of cash and non-cash investing, capital, non-capital, and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 14-29.

**West Shelby Water District
Management's Discussion and Analysis (*Unaudited*) (Continued)
December 31, 2022 and 2022**

Financial Analysis of the District

**Condensed Financial Information
Statements of Net Position
As of December 31, 2023 and 2022**

	<u>2023</u>	Percentage Increase (Decrease)	<u>2022</u>
Current Assets	\$ 2,343,034	14.04%	\$ 2,054,630
Non-current Assets	<u>14,707,741</u>	6.59%	<u>13,799,026</u>
Total Assets	17,050,775	7.55%	15,853,656
Deferred Out Flows of Resources	<u>191,547</u>	-8.64%	<u>209,669</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,242,322</u>		<u>\$ 16,063,325</u>
Current Liabilities	\$ 247,357	-6.60%	\$ 264,829
Non-current Liabilities	<u>1,064,408</u>	-21.22%	<u>1,351,068</u>
Total Liabilities	1,311,765	-18.82%	1,615,897
Deferred In Flows of Resources	<u>348,443</u>	102.55%	<u>172,027</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,660,208</u>		<u>\$ 1,787,924</u>
Restricted	1,518,887	-42.22%	2,628,613
Net Investment in Capital Assets	12,600,805		10,489,910
Unrestricted	<u>1,462,422</u>	26.41%	<u>1,156,878</u>
Total Net Position	<u>\$ 15,582,114</u>	9.15%	<u>\$ 14,275,401</u>

Current assets consist primarily of operating cash, cash equivalents, prepaid expenses, accounts receivables, and inventory.

Non-current assets consist primarily of long-term bonds, property, plant and equipment, net other postemployment benefits asset, and cash balances restricted for capital construction and debt service.

Current liabilities consist primarily of accounts payable, customer deposits, accrued payroll liabilities and the current portion of notes payables.

Non-current liabilities represent the non-current portion of bond and notes payables and net pension liability.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2022 and 2022**

Financial Analysis of the District (Continued)

**Condensed Financial Information
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended December 31, 2023 and 2022**

	<u>2023</u>	Percentage Increase (Decrease)	<u>2022</u>
Operating Revenues			
Sale of water	\$ 2,013,132	8.20%	\$ 1,860,487
Other revenues	<u>33,662</u>	-4.77%	<u>35,347</u>
Total Operating Revenues	2,046,794	7.96%	1,895,834
Operating Expenses			
Operating	1,180,868	2.22%	1,155,169
General and administrative	394,014	-7.03%	423,802
Depreciation	<u>216,494</u>	1.25%	<u>213,824</u>
Total Operating Expenses	<u>1,791,376</u>	-0.08%	<u>1,792,795</u>
Income from Operations	255,418	-147.88%	103,039
Non-operating Revenues (Expenses)			
Net (decrease) increase in fair value of investments	-	-100.00%	(1,822)
Investment income	71,182	1398.57%	4,750
Interest expense	<u>(23,088)</u>	-13.96%	<u>(26,834)</u>
Non-operating (Expenses), net	<u>48,094</u>	301.18%	<u>(23,906)</u>
Revenues (Expenses) Over Expenditures (Revenues)	303,512	-283.55%	79,133
Changes in Equity Contribution			
Member tap on	66,700	-54.55%	146,742
Member construction contribution	<u>936,501</u>	-57.05%	<u>2,180,602</u>
Total	<u>1,003,201</u>	-56.90%	<u>2,327,344</u>
Change in Net Position	<u>\$ 1,306,713</u>	-45.70%	<u>\$ 2,406,477</u>
Net Position, Beginning of Year	<u>\$ 14,275,401</u>	20.28%	<u>\$ 11,868,924</u>
Net Position, End of Year	<u>\$ 15,582,114</u>	9.15%	<u>\$ 14,275,401</u>

**West Shelby Water District
Management's Discussion and Analysis (*Unaudited*) (Continued)
December 31, 2022 and 2022**

Financial Analysis of the District (Continued)

Sale of Water represents revenues from providing water to residential, commercial, industrial, governmental, and multi-family customers.

Other income represents revenues for reconnect fees, forfeited discounts (late fees), and interest earned.

Operating expenses primarily represent the purchasing of water, personnel costs for maintenance staff, utilities, and repairs and maintenance.

General and administrative expenses primarily represent personnel costs for administrative staff, employee benefits, insurance, supplies and payroll taxes.

Depreciation expense is related to the allocation of the usefulness of property, plant and equipment over the lifetime of the asset.

Non-operating revenues (expenses) consist primarily of net change in fair value of investments, investment income, gain on sale of property, plant and equipment and interest expense.

**Condensed Financial Information
Statements of Cash Flows
For the Fiscal Year Ended December 31, 2023 and 2022**

	<u>2023</u>	Percentage Increase (Decrease)	<u>2022</u>
Net Cash Provided By (Used In):			
Operating activities	\$ 323,028	4.49%	\$ 309,150
Capital and related financing activities	(1,347,276)	251.62%	888,569
Investing activities	<u>1,230,123</u>	-221.56%	<u>(1,011,916)</u>
Net Change in Cash and Cash Equivalents	205,875	-10.80%	185,803
Cash and Cash Equivalents, Beginning of Year	<u>1,728,148</u>	12.05%	<u>1,542,345</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,934,023</u>	11.91%	<u>\$ 1,728,148</u>

The net increase in cash and cash equivalents totaled \$205,875 at December 31, 2023, primarily due to monies received for member tap on and construction contribution.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2022 and 2022**

Capital Assets Administration

The following table summarizes the changes in net capital assets between fiscal years 2023 and 2022.

	<u>2023</u>	Percentage Increase (Decrease)	<u>2022</u>
Transmission and distribution plant	\$ 18,587,248	8.95%	\$ 17,059,697
Construction in progress	682,537	100.00%	\$ -
General plant	1,576,706	4.11%	1,514,486
Accumulated depreciation	<u>(7,708,686)</u>	-2.89%	<u>(7,492,192)</u>
	<u>\$ 13,137,805</u>	18.55%	<u>\$ 11,081,991</u>

Debt Administration

The following table summarizes the outstanding obligations under bonds payable as December 31, 2023 and 2022.

	<u>2023</u>	Percentage Increase (Decrease)	<u>2022</u>
Bonds and Note payable	<u>\$ 537,000</u>	-8.67%	<u>\$ 588,000</u>
	<u>\$ 537,000</u>	-8.67%	<u>\$ 588,000</u>

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all of those with an interest. If you have any questions concerning the information provided in this report or need additional financial information, contact the West Shelby Water District, 137 Citizen's Blvd, Simpsonville, Kentucky 40067.

West Shelby Water District
Statements of Net Position
For the Fiscal Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,934,023	\$ 1,728,148
Accounts receivable	141,035	134,635
Inventory - materials and supplies	249,885	176,290
Prepaid expenses and other	<u>18,091</u>	<u>15,557</u>
Total Current Assets	2,343,034	2,054,630
Non-current Assets		
Restricted cash and cash equivalents	1,558,094	2,667,820
Long term investments	-	49,215
Property, plant and equipment net of accumulated depreciation	13,137,805	11,081,991
Net OPEB asset	<u>11,842</u>	<u>-</u>
Total Non-current Assets	<u>14,707,741</u>	<u>13,799,026</u>
Total Assets	17,050,775	15,853,656
Deferred Outflows of Resources		
Deferred outflow - OPEB	73,165	91,545
Deferred outflow - pension	<u>118,382</u>	<u>118,124</u>
Total Deferred Outflows of Resources	<u>191,547</u>	<u>209,669</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,242,322</u>	<u>\$ 16,063,325</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 4,847	\$ 5,339
Accrued interest	13,425	14,625
Customer deposits	159,924	149,087
Accrued taxes and payroll liabilities	6,954	5,571
Horizon Group escrow	39,207	39,207
Bonds payable, current portion	<u>23,000</u>	<u>51,000</u>
Total Current Liabilities	247,357	264,829
Non-current Liabilities		
Bonds payable, long-term portion	514,000	537,000
Premium on bonds payable	-	4,081
Net OPEB liability	-	173,689
Net pension liability	<u>550,408</u>	<u>636,298</u>
Total Non-current Liabilities	<u>1,064,408</u>	<u>1,351,068</u>
Total Liabilities	1,311,765	1,615,897
Deferred Inflows of Resources		
Deferred inflows - OPEB	216,049	91,544
Deferred inflows - pension	<u>132,394</u>	<u>80,483</u>
Total Deferred Inflows of Resources	<u>348,443</u>	<u>172,027</u>
Total Liabilities and Deferred Inflows of Resources	1,660,208	1,787,924
Net Position		
Restricted for capital construction and debt payments	1,518,887	2,628,613
Net investment in capital assets	12,600,805	10,489,910
Unrestricted net position	<u>1,462,422</u>	<u>1,156,878</u>
Total Net Position	<u>15,582,114</u>	<u>14,275,401</u>
Total Liabilities and Net Position	<u>\$ 17,242,322</u>	<u>\$ 16,063,325</u>

See accompanying notes.

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue from Sale of Water		
Residential customers	\$ 1,222,038	\$ 1,116,936
Industrial customers	313,826	300,173
Commercial customers	205,277	196,120
Multi-family dwellings	110,067	104,454
Private fire protection	82,729	81,674
Public authorities	66,090	58,723
Tax-exempt non-government	13,105	2,407
Total Revenue from Sale of Water	<u>2,013,132</u>	<u>1,860,487</u>
Other Revenue		
Miscellaneous revenue	13,109	17,091
Forfeited discounts	20,553	18,256
Total Other Revenues	<u>33,662</u>	<u>35,347</u>
Total Revenues	<u>2,046,794</u>	<u>1,895,834</u>
Operating Expenses		
Water purchased	849,940	767,013
Salaries	213,415	213,699
Maintenance materials and supplies	79,096	138,472
Operating supplies and expenses	23,612	23,886
Power-pumping equipment	14,805	12,099
Total Operating Expenses	<u>1,180,868</u>	<u>1,155,169</u>
Administrative and General		
Employee insurance	100,919	98,392
Salaries	60,587	57,650
Insurance	33,174	28,406
Grant expenses	32,890	-
Office supplies	32,676	25,521
Employee retirement	29,603	56,644
Miscellaneous	21,481	21,841
Legal and accounting	21,298	25,402
Commissioners fees	21,000	20,000
Truck and equipment expenses	20,977	17,876
Payroll taxes	20,607	20,405
Utilities	19,421	18,168
Computer/copier support	9,227	7,689
Employee training	4,623	2,908
Employee uniforms	4,180	4,490
Rent	3,997	4,328
Retirement health insurance	(42,646)	14,082
Total Administrative and General	<u>394,014</u>	<u>423,802</u>

See accompanying notes

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position (Continued)
For the Fiscal Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Other Operating Deductions		
Depreciation	\$ 216,494	\$ 213,824
Total Expenses	<u>1,791,376</u>	<u>1,792,795</u>
Total Operating Income	255,418	103,039
Non-operating Revenues (Expenses)		
Net (decrease) in fair value of investments		(1,822)
Investment income	71,182	4,750
Interest on long-term debt	<u>(23,088)</u>	<u>(26,834)</u>
Total Non-operating Revenues (Expenses), net	<u>48,094</u>	<u>(23,906)</u>
Revenues Over Expenditures	303,512	79,133
Changes in Equity Contribution		
Member tap on	66,700	146,742
Member construction contribution	<u>936,501</u>	<u>2,180,602</u>
Total Changes in Equity Contribution	<u>1,003,201</u>	<u>2,327,344</u>
Change in Net Position	1,306,713	2,406,477
Total Net Position, Beginning of Year	<u>14,275,401</u>	<u>11,868,924</u>
Total Net Position, End of Year	<u>\$ 15,582,114</u>	<u>\$ 14,275,401</u>

See accompanying notes.

West Shelby Water District
Statements of Cash Flows
For the Fiscal Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 2,051,231	\$ 1,913,030
Cash payments to suppliers for goods and services	(1,329,814)	(1,182,025)
Cash payments for employee salaries and benefits	<u>(398,389)</u>	<u>(421,855)</u>
Net Cash Provided by Operating Activities	323,028	309,150
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,272,308)	(1,368,828)
Principal payments on bonds and notes payable	(51,000)	(40,000)
Member construction contributions	936,501	2,180,602
Member tap fees	66,700	146,742
Interest payments on long-term debt	<u>(27,169)</u>	<u>(29,947)</u>
Net Cash (Used in) Provided by Capital and Related Financing Activities	(1,347,276)	888,569
Cash Flows from Investing Activities		
Interest received	71,182	4,750
Change in long term investments	49,215	-
Change in short term investments	-	107,299
Change in restricted cash and cash equivalents	<u>1,109,726</u>	<u>(1,123,965)</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,230,123</u>	<u>(1,011,916)</u>
Net Increase in Cash & Cash Equivalents	205,875	185,803
Cash and Cash Equivalents, Beginning of Year	<u>1,728,148</u>	<u>1,542,345</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,934,023</u>	<u>\$ 1,728,148</u>

See accompanying notes

West Shelby Water District
Statements of Cash Flows (Continued)
For the Fiscal Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 255,418	\$ 103,039
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	216,494	210,093
Change in retirement expense due to GASB 68	(34,237)	17,889
Change in retirement expense due to GASB 75	(42,646)	7,257
Accounts receivable	(6,400)	(22,399)
Inventories	(73,595)	(30,566)
Prepaid expenses and other	(2,534)	507
Accounts payable	(492)	6,507
Accrued interest	(1,200)	(13,565)
Accrued taxes and payroll liabilities	1,383	(13,267)
Customer deposits	10,837	17,729
	<u>323,028</u>	<u>283,224</u>
Net Cash Provided by Operating Activities	<u>\$ 323,028</u>	<u>\$ 283,224</u>
Schedule of Non-cash Financing Activity		
Amortization of bond premium	<u>\$ 4,081</u>	<u>\$ 3,113</u>
Net (decrease) in the fair value of investments	<u>\$ -</u>	<u>\$ (1,825)</u>

See accompanying notes.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note A - Nature of Organization and Operations

The District was established by order of the Shelby County Fiscal Court on March 10, 1964. The District was established to develop and operate a complete water supply and distribution system, which services parts of Shelby County.

Note B - Summary of Significant Accounting Policies

1. Basis of Presentation: The accompanying financial statements have been prepared as an enterprise fund. Enterprise funds are designed to accumulate the total cost of providing a particular service and to indicate the extent user charges are sufficient to cover these costs. Customer meters are read and billed monthly at which time the receivable is recorded and revenue is recognized. No provision has been made for doubtful accounts due to the amount determined to be uncollectible being negligible. The West Shelby Water District (the District) uses the accrual basis of accounting for financial accounting and reporting purposes.
2. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Statement of Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
4. Inventory: Inventories are stated at the lower of cost or market based on first-in first-out method.
5. Accounts Receivable: Accounts receivable are for water sales to customers. The District bills its receivables on or about the 25th of each month and are due by the 10th of the following month. Customers that do not pay by the due date are assessed a 10% penalty and receive a past due notice. Management provides for probable uncollectible amounts of accounts receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts if necessary. As of December 31, 2023 and 2022, there is no allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.
6. Property, Plant and Equipment: Property, plant and equipment are capitalized and recorded at cost. The District has adopted a formal capitalization policy. The capitalization threshold for building and land improvements is \$2,000; the capitalization threshold is \$2,500 for all other categories of plant and equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following is a summary of the estimated useful lives used in computing depreciation:

Structure and Improvements	40
Pumping Equipment	20
Distribution Reservoirs	60
Transmission and Distribution Main	75
Services	50
Meters and Installations	50
Furniture and Equipment	25
Other Plant	40
Transportation Equipment	7
Power Operated Equipment	15

Depreciation expense for the years ended December 31, 2023 and 2022 was \$216,494 and \$213,824 respectively.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note B - Summary of Significant Accounting Policies (Continued)

7. Customer Deposits: Interest is accrued at a rate no greater than the District receives on cash investments and at no time greater than 6% annually.
8. New Customers: New service connection fees and construction contributions are recorded as an addition to equity. The cost of installation of the new service is recorded as an addition to plant assets and is subject to depreciation.
9. Accumulated Vacation and Sick Leave: On January 13, 1995 the Commissioners adopted a formal policy related to vacation and sick leave. The policy was updated on February 1, 2022. Vacation is earned at rates varying from one to ten days per year depending on length of service. Sick leave accrues at the rate of 1/2 day for every month employed or six days per year and shall accumulate to a maximum of 90 days. After one year of service, employees are given one week of vacation, after two years of service, employees are given two weeks of vacation, after ten years of service, employees are given three weeks of vacation, and after twenty years of service, employee are given four weeks of vacation. No accrual is necessary as a limited number of personnel are employed, and the amount of the accrual would be immaterial. If an employee leaves employment, willfully or is terminated, with West Shelby Water District, unused vacation time has no monetary value and will not be paid.
10. Retirement System: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the District's participation in the County Employees Retirement System (CERS) of the Kentucky Public Pensions Authority (KPPA) have been determined on the same basis as they are reported by the KPPA for the CERS plan. For this purpose, benefits including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms of the CERS plan of KPPA. The liability was measured at June 30, 2023.
11. Postemployment Benefits Other Than Pensions (OPEB): For the purpose of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognize benefit payments when due and payable in accordance with the benefit terms. The asset or liability was measured at June 30, 2023.
12. Government Accounting Standards Board (GASB): GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued in April 2020. The provisions of this Statement are effective for periods beginning after June 15, 2020. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.
13. Subsequent Events: Subsequent events for the District have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

Note C - Concentration of Credit Risk

At December 31, 2023 and 2022 the carrying amount of the District's cash and cash investments were \$3,492,117 and \$4,445,183 respectively. All cash investments and bank balances were fully collateralized by federal depository insurance up to \$250,000 and other securities pledged by the financial institutions.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note D - Investments

The District reports investments utilizing a fair value hierarchy that prioritizes the inputs (from the most objective to the most subjective) to the valuation techniques used to measure fair value into the three broad levels described as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
December 31, 2023				
Bonds	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
December 31, 2022				
Bonds	-	49,215	-	49,215
	<u>\$ -</u>	<u>\$ 49,215</u>	<u>\$ -</u>	<u>\$ 49,215</u>

Investments securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the values of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and statement of activities. During the year ended December 31, 2023, the bonds were cashed.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note E - Restricted Cash and Cash Equivalents

	<u>2023</u>	<u>2022</u>
Depreciation fund	\$ 502,848	\$ 573,022
Sinking fund	356,934	311,468
Horizon Group rebate fund	39,207	39,207
Construction fund	<u>659,105</u>	<u>1,744,123</u>
	<u>\$ 1,558,094</u>	<u>\$ 2,667,820</u>

Restricted cash and cash equivalents include the construction fund account, Horizon Group rebate fund and two debt service reserve funds (depreciation and sinking).

The construction fund is being used for current and future construction projects. Customer contributions and unexpended bond proceeds are carried in this fund. The sinking fund account is a debt reserve fund for the notes and bond payable. The depreciation fund is used to replace property, plant, and equipment. The Horizon Group rebate fund is used to reimburse the Horizon Group as more businesses tap-on to water meters that the Horizon Group purchased during the construction of the outlet mall.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note F - Property, Plant and Equipment

Property, plant and equipment consist of the following components:

	Balance 2022	Additions	Deletions	Balance 2023
Business - Type Activities				
Transmission and Distribution Plant				
Land and land right	\$ 227,248	\$ 15,000	\$ -	\$ 242,248
Pumping equipment	1,951,740			1,951,740
Water treatment equipment	7,548			7,548
Standpipes	2,616,205			2,616,205
Transmission and distribution mains	9,657,334	2,493,248		12,150,582
Services and meters	1,153,740	63,496		1,217,236
Hydrants	353,421	28,381		381,802
Other plant equipment	19,887			19,887
Construction in progress	1,072,574	1,051,691	(1,441,728)	682,537
Total	17,059,697	3,651,816	(1,441,728)	19,269,785
Less: Accumulated Depreciation	(6,994,507)	(177,512)		(7,172,019)
Total Transmission and Distribution Plant	10,065,190	3,474,304	(1,441,728)	12,097,766
General Plant				
Office furniture and equipment	125,144			125,144
Buildings	979,959	22,225		1,002,184
Transportation equipment	237,916	38,999		276,915
Tools, shop and garage equipment	138,232	996		139,228
Laboratory equipment	373			373
Communication equipment	32,862			32,862
Total	1,514,486	62,220	-	1,576,706
Less: Accumulated Depreciation	(497,685)	(38,982)	-	(536,667)
Total General Plant	1,016,801	23,238	-	1,040,039
Capital Assets, net	\$ 11,081,991	3,497,542	\$ (1,441,728)	\$ 13,137,805

Note G - Retirement Plan

General Information about the Pension Plan

Plan description. Employees of the District are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the KPPA. The KPPA was created by state statute under Kentucky Revised Statue Section 61.645. The KPPA Board of Trustees is responsible for the proper operation and administration of the KPPA. The KPPA issues a publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note G - Retirement Plan (Continued)

General Information about the Pension Plan

Benefits provided. KRS Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age + earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Contributions. Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. Employees that entered the plan after September 1, 2008, are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended December 31, 2023, employer contributions for the District were \$63,720 (\$59,492 pension and \$4,228 insurance) based on a rate of 26.79% (23.40% pension and 3.39% insurance) (January 2023-June 2023) and 23.34% (23.34% pension and 0% insurance) (July 2023-December 2023) of covered payroll. By law, employer contributions are required to be paid. The KPPA may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note G - Retirement Plan (Continued)

Net Pension Liability

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

Inflation	2.30 percent
Salary increases	3.30 to 10.30%, varies by service
Investment rate of return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

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

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note G - Retirement Plan (Continued)

Net Pension Liability (Continued)

Discount rate. The projection of cash flows used to determine the discount rate of 6.50% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates return for each major class are summarized in the Kentucky Public Pensions Authority' Comprehensive Annual Financial Report (CAFR).

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
West Shelby Water District's Net pension liability	\$ 694,923	\$ 550,408	\$ 430,310

Pension expense. For the year ended June 30, 2023, the District recognized pension expense of \$29,603.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	\$ 28,494	\$ 1,496
Assumption changes		50,445
Investment experience	59,460	66,968
Change in proportionate share	119	13,485
Contributions subsequent to the measurement date of June 30, 2023	<u>30,309</u>	<u>-</u>
Total	<u>\$ 118,382</u>	<u>\$ 132,394</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note G - Retirement Plan (Continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The amount shown below for "Contributions subsequent to the measurement date of June 30, 2023," will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ending June 30,</u>	<u>Recognition of Deferred Outflows (Inflows) of Resources</u>
2024	\$ (25,440)
2025	(25,841)
2026	12,287
2027	(5,327)
	<u>\$ (44,321)</u>

In the table shown above, deferred inflows of resources amounts will decrease pension expense while deferred outflows of resources amounts will increase pension expense.

Note H – Postemployment Benefits Other Than Pensions

Plan description. Employees of the District are provided hospital and medical insurance through the Kentucky Public Pensions Authority' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit other postemployment benefits (OPEB) plan. The KPPA was created by state statute under Kentucky Revised Statute Section 61.645. The KPPA Board of Trustees is responsible for the proper operation and administration of the KPPA. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note H – Postemployment Benefits Other Than Pensions (Continued)

Contributions. Contribution requirements of the participating employers are established and may be amended by the KPPA Board of Trustees. The District’s contractually required contribution rate for the period of January 2023 through June 2023 was 3.39% of covered payroll and the contribution rate for the period July 2023 through December 2023 was 0%. Contributions to the Insurance Fund from the District were \$4,228 for the year ended December 31, 2023. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable, compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2023, the District reported an asset of \$11,842 for its proportionate share of the collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2023 and the total OPEB asset used to calculate the collective net OPEB asset was determined by an actuarial valuation as of that date. The District’s proportion of the collective net OPEB asset and OPEB expense was determined using the employers’ actual contributions for the plan fiscal year 2023 (July 1, 2022 through June 30, 2023). This method is expected to be reflective of the employers’ long-term contribution effort. At June 30, 2023, the District’s proportion was 0.008577%.

For the year ended December 31, 2023, the District recognized OPEB income of (\$42,646). At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	\$ 8,256	\$ 168,144
Assumption changes	23,304	16,241
Investment experience	22,162	24,910
Change in proportionate share	918	6,754
Contributions subsequent to the measurement date of June 30, 2023, including implicit subsidy	<u>18,525</u>	<u>-</u>
Total	<u>\$ 73,165</u>	<u>\$ 216,049</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022
Note H – Postemployment Benefits Other Than Pensions (Continued)**

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from the District’s contribution subsequent to the measurement date and before the end of the fiscal year and \$18,525 of implicit subsidy for a total of \$18,525, will be included as a reduction of the collective net OPEB (asset)/liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Recognition of Deferred Outflows (Inflows) of Resources for Future Plan Years

<u>Plan Year Ending June 30,</u>	<u>Recognition of Deferred Outflows (Inflows) of Resources</u>
2024	\$ (39,877)
2025	(49,635)
2026	(38,567)
2027	<u>(33,330)</u>
	<u>\$ (161,409)</u>

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

Inflation	2.30 percent
Salary increases	3.30 to 10.30%, varies by service
Investment rate of return	6.25%

Healthcare cost tend rates 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.

Healthcare cost tend Post - 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Mortality rates were based on the following:

Pre-retirement: PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Post-retirement (non-disabled): 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.

Post-retirement (disabled): PUB-2010 Disabled Mortality table, with a 40-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022
Note H – Postemployment Benefits Other Than Pensions (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For financial reporting the actuarial valuation as of June 30, 2023, was performed Gabriel Roeder smith (GRS). The total asset, net OPEB asset, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB asset 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. There have been no changes in plan provisions since June 30, 2022. However, the Board of Trustees has adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled “Kentucky Public Pensions Authority 2022 Actuarial Experience Study for the Period Ending June 30, 2022”. The Total OPEB asset as of June 30, 2023 is determined using these updated assumptions.

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

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

Discount rate. The projection of cash flows used to determine the discount rate of 5.93% for CERS Nonhazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2023. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actual determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’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 nominal rates of return for each major asset class are summarized in the CAFR.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022
Note H – Postemployment Benefits Other Than Pensions (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

	<u>1% Decrease</u> (4.93%)	<u>Current</u> <u>Discount Rate</u> (5.93%)	<u>1% Increase</u> (6.93%)
West Shelby Water District's Net OPEB liability	\$ 22,223	\$ (11,842)	\$ (40,367)

Sensitivity of the District's proportionate share of the collective net OPEB liability/(asset) to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the collective net OPEB liability/(asset) as well as what the District's proportionate share of the collective net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
West Shelby Water District's Net OPEB liability	\$ (37,956)	\$ (11,842)	\$ 20,236

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

Note I - Bonds Payable

Rural Economic & Community Development

The bond payable is the amount due Rural Economic & Community Development for long term financing as follows at December 31, 2023:

Bonds dated January 11, 2001 for \$845,000 with interest at 5%	<u>\$ 537,000</u>
Total Bonds Outstanding	<u>\$ 537,000</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note I - Bonds Payable (Continued)

Rural Economic & Community Development (Continued)

The balance at December 31, 2022 was \$558,000. During 2023, \$21,000 of principal payments were made, which leaves an outstanding balance of \$537,000 at December 31, 2023. The bonds contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment. Future maturities of bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 23,000	\$ 26,850	\$ 49,850
2025	24,000	25,700	49,700
2026	25,000	24,500	49,500
2027	26,000	23,250	49,250
2028	28,000	21,950	49,950
2029-2033	159,000	87,600	246,600
2034-2038	205,000	43,500	248,500
2029	47,000	2,350	49,350
	<u>\$ 537,000</u>	<u>\$ 255,700</u>	<u>\$ 792,700</u>

All properties and assets, both real and personnel, and revenues are pledged to secure these loans.

Kentucky Rural Water Financing Corporation

On July 15, 2013, the Kentucky Rural Water Financing Corporation loan noted was refinanced. The Kentucky Rural Water Financing Corporation Flexible Term Series 2013B bonds will have variable interest rates ranging from 2.00% - 4.50%. The bonds mature on February 1, 2023. The outstanding principal amount of the bonds at December 31, 2023 and 2022 was \$0 and \$30,000, respectively. The bonds were sold at a premium in the amount of \$35,744. The premium is being amortized over the term of the bonds. The unamortized bond premium is recorded as a noncurrent liability on the Statement of Net Position. The premium amortization, which is a decrease in interest expense, was \$4,081 and \$3,113 for the years ended December 31, 2023 and 2022, respectively. The unamortized bond premium as of December 31, 2023 and 2022 was \$0 and \$4,081, respectively.

The bonds contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment.

The remaining principal balance from prior year was paid off as of December 31, 2023.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note J - Long-term Debt

Long-term debt activity for the year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Enterprise Activities:				
General Obligation Bonds	\$ 558,000	\$ (21,000)	\$ 537,000	\$ 23,000
Kentucky Rural Water Note	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Enterprise Activities Long-term Liabilities	<u>\$ 588,000</u>	<u>\$ (51,000)</u>	<u>\$ 537,000</u>	<u>\$ 23,000</u>

Note K- Revenue from Sale of Water

The District purchase 100% of the water it sells from two vendors. Approximately 77% of water is purchased from Louisville Water Company; the remaining 23% is purchased from the Shelbyville Municipal Water & Sewer Commission.

The following is a statistical analysis of water purchased, sold, and unbilled.

	<u>Water Purchased</u>		<u>Water Sold</u>		<u>Water Unbilled</u>	
	<u>Gallons</u>	<u>Cost/1000</u>	<u>Gallons Sold/1000</u>	<u>Cost/1000</u>	<u>Gallons</u>	<u>Percentage</u>
2023	328,791,659	\$ 2.542	294,376,970	\$ 6.839	34,414,689	10.47%
2022	306,612,100	\$ 2.518	271,385,320	\$ 6.856	35,226,780	11.49%
2021	312,758,200	\$ 2.553	268,837,210	\$ 6.129	43,920,990	14.04%
2020	301,471,700	\$ 2.443	272,875,130	\$ 6.068	28,596,570	9.49%
2019	312,230,090	\$ 2.387	287,046,200	\$ 5.918	25,183,890	8.07%

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note L - Future Accounting Pronouncements

In June of 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

The District is currently evaluating the impact that will result from adopting GASB No. 101 and is therefore unable to disclose the impact that adopting the Standard will have on the District's financial position and the results of its operations when the Statement is adopted.

Required Supplementary Information

**West Shelby Water District
Required Supplementary Information - Schedule of Net Pension
Liability and Related Ratios Based on Participation in the
County Employees' Retirement Systems of KPPA
Fiscal Year Ending June 30,**

	2014		2015		2016		2017					
Total Net Pension Liability for County Employees Retirement Systems	\$	3,244,377,000	\$	4,299,525,000	\$	4,923,618,000	\$	5,853,307,443				
Employer's Proportion (Percentage) of Net Pension Liability		0.009063055%		0.008081509%		0.007807870%		0.007889000%				
Employer's Proportion (Amount) of Net Pension Liability		294,040		347,467		384,430		461,767				
Employer's Covered-Employer payroll	\$	198,461	\$	191,839	\$	219,117	\$	192,079				
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll		148.16%		181.12%		175.40%		240.40%				
Total Pension Plan's Fiduciary Net Position	\$	6,528,146,000	\$	6,440,800,000	\$	6,141,395,000	\$	6,687,237,000				
Total Pension's Plan Pension Liability	\$	9,772,523,000	\$	10,740,325,000	\$	11,065,013,000	\$	12,540,545,000				
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability		66.80%		59.97%		55.50%		53.30%				
	2018		2019		2020		2021		2022		2023	
Total Net Pension Liability for County Employees Retirement Systems	\$	6,090,305,000	\$	7,033,045,000	\$	7,669,917,000	\$	6,375,785,000	\$	7,229,013,000	\$	6,416,509,000
Employer's Proportion (Percentage) of Net Pension Liability		0.008996000%		0.008921000%		0.008879000%		0.008927000%		0.008802000%		0.008578000%
Employer's Proportion (Amount) of Net Pension Liability		547,884		627,418		681,012		569,166		636,298		550,408
Employer's Covered-Employer payroll	\$	222,970	\$	265,304	\$	248,076	\$	237,923	\$	249,436	\$	254,571
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll		245.72%		236.49%		274.52%		239.22%		255.09%		216.21%
Total Pension Plan's Fiduciary Net Position	\$	7,018,963,000	\$	7,159,921,000	\$	7,027,327,000	\$	8,565,652,000	\$	7,963,586,000	\$	8,672,597,000
Total Pension's Plan Pension Liability	\$	13,109,268,000	\$	14,192,966,000	\$	14,697,244,000	\$	14,941,437,000	\$	15,192,599,000	\$	15,089,106,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability		53.54%		50.45%		47.81%		57.33%		52.42%		57.48%

Note: This schedule is intended to display information for ten years. Additional years will be displayed as they become available.

See independent auditor's report.

West Shelby Water District
Required Supplementary Information - Schedule of Contributions
Based on Participation In the County Employees' Retirement
System of KPPA
Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 27,618	\$ 23,841	\$ 28,659	\$ 26,795	\$ 32,286	\$ 36,500	\$ 43,896	\$ 44,007	\$ 55,448	\$ 58,264
Contributions in relation to the actuarially determined contribution	27,618	23,841	28,659	26,795	32,286	36,500	43,896	44,007	55,448	58,264
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	198,461	191,839	219,117	192,079	222,970	265,304	248,076	237,923	249,436	254,571
Contributions as a percentage covered-employee payroll	13.92%	12.43%	13.08%	13.95%	14.48%	13.76%	17.69%	18.50%	22.23%	22.89%

Note: This schedule is intended to display information for ten years. Additional years will be displayed as they become available.

Notes to Schedules Related to the County Employees' Retirement System of KPPA Information

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

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2021
Experience Date	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	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%

See independent auditor's report.

**West Shelby Water District
Required Supplementary Information - Schedule of Net OPEB
Liability and Related Ratios Based on Participation in the
County Employees' Retirement System Insurance Fund of KPPA
Fiscal Year Ending June 30,**

	2018	2019	2020	2021	2022	2023
Total Net OPEB Liability (Asset) for County Employees Retirement Systems	\$ 1,775,480,122	\$ 1,681,955,000	\$ 2,414,696,000	\$ 1,914,450,000	\$ 1,973,514,000	\$ (138,067,000)
Employer's Proportion (Percentage) of Net OPEB Liability (Asset)	0.008996000%	0.008919000%	0.008877000%	0.008925000%	0.008801000%	0.008577000%
Employer's Proportion (Amount) of Net OPEB Liability (Asset)	159,722	150,014	214,353	170,865	173,689	(11,842)
Employer's Covered-Employer payroll	\$ 222,970	\$ 265,304	\$ 248,076	\$ 237,923	\$ 249,436	\$ 254,571
Employer's Proportionate Share (Amount) of the Net OPEB Liability (Asset) as a Percentage of Employer's Covered-Employer Payroll	71.63%	56.54%	86.41%	71.82%	69.63%	-4.65%
Total OPEB Plan's Fiduciary Net Position	\$ 2,414,126,000	\$ 2,569,511,000	\$ 2,581,613,000	\$ 3,246,801,000	\$ 3,079,984,000	\$ 3,398,375,000
Total OPEB's Plan OPEB Liability	\$ 4,189,606,000	\$ 4,251,466,000	\$ 4,996,309,000	\$ 5,161,251,000	\$ 5,053,498,000	\$ 3,260,308,000
Total OPEB Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

Note: This schedule is intended to display information for ten years. Additional years will be displayed as they become available.

See independent auditor's report.

**West Shelby Water District
Required Supplementary Information - Schedule of Contributions
Based on Participation In the County Employees' Retirement
System Insurance Fund of KPPA
Fiscal Year Ending June 30**

	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 10,479	\$ 11,836	\$ 10,826	\$ 10,853	\$ 10,150	\$ 8,441
Contributions in relation to the actuarially determined contribution	<u>10,479</u>	<u>11,836</u>	<u>10,826</u>	<u>10,853</u>	<u>10,150</u>	<u>8,441</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	222,970	265,304	248,076	237,923	249,436	254,571
Contributions as a percentage covered-employee payroll	4.70%	4.46%	4.36%	4.56%	4.07%	3.32%

Note: This schedule is intended to display information for ten years. Additional years will be displayed as they become available.

Notes to Schedules Related to the County Employees' Retirement Insurance Fund of KPPA Information

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

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date	June 30, 2021
Experience Date	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method Recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Investment Rate of Return	6.25%
Retirement age	65 years or 27 years of service regardless of age
Healthcare Trend Rates 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.
Healthcare Trend Rates Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

See independent auditor's report.

Supplementary Information

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget
For the Fiscal Year Ended December 31, 2023

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue from Sale of Water			
Residential customers	\$ 1,222,038	\$ 1,250,000	\$ (27,962)
Industrial customers	313,826	300,000	13,826
Commercial customers	205,277	185,000	20,277
Multi-family dwellings	110,067	120,000	(9,933)
Private fire protection	82,729	85,000	(2,271)
Public authorities	66,090	60,000	6,090
Tax-exempt non-government	13,105	3,000	10,105
Total Revenue from Sale of Water	2,013,132	2,003,000	10,132
Other Revenue			
Miscellaneous revenue	13,109	8,600	4,509
Forfeited discounts	20,553	14,000	6,553
Total Other Revenues	33,662	22,600	11,062
Total Revenues	2,046,794	2,025,600	21,194
Operating and Maintenance Expenses			
Water purchased	849,940	820,000	(29,940)
Salaries	274,002	283,000	8,998
Employee insurance	100,919	110,000	9,081
Maintenance materials and supplies	79,096	91,000	11,904
Insurance	33,174	28,000	(5,174)
Grant expenses	32,890	-	(32,890)
Office supplies	32,676	31,000	(1,676)
Employee retirement	29,603	60,000	30,397
Operating supplies and expenses	23,612	18,000	(5,612)
Miscellaneous	21,481	18,900	(2,581)
Legal and accounting	21,298	25,000	3,702
Commissioners fees	21,000	21,000	-
Truck and equipment expenses	20,977	18,000	(2,977)
Payroll taxes	20,607	20,000	(607)
Utilities	19,421	18,000	(1,421)
Power-pumping equipment	14,805	11,000	(3,805)
Computer/copier support	9,227	13,000	3,773
Employee training	4,623	1,500	(3,123)
Employee uniforms	4,180	5,000	820
Rent	3,997	4,500	503
Retirement health insurance	(42,646)	-	42,646
Total Operating and Maintenance Expenses	1,574,882	1,596,900	22,018

See independent auditor's report.

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget (Continued)
For the Fiscal Year Ended December 31, 2023

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Other Operating Deductions			
Depreciation	216,494	211,000	(5,494)
Total Other Operating Deductions	<u>216,494</u>	<u>211,000</u>	<u>(5,494)</u>
Total Expenses	<u>1,791,376</u>	<u>1,807,900</u>	<u>16,524</u>
Total Operating Income	255,418	217,700	37,718
Non-operating Revenues (Expenses)			
Investment income	71,182	5,000	66,182
Interest on long-term debt	<u>(23,088)</u>	<u>(27,000)</u>	<u>3,912</u>
Total Non-operating (Expenses)	<u>48,094</u>	<u>(22,000)</u>	<u>70,094</u>
Revenues (Expenses) Over Expenditures (Revenues)	<u>\$ 303,512</u>	<u>\$ 195,700</u>	<u>\$ 107,812</u>

See independent auditor's report.

**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***

West Shelby Water District
Simpsonville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the West Shelby Water District "District", as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2024.

Report Internal Control Over Financial Reporting

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

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

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

Report Compliance and Other Matters

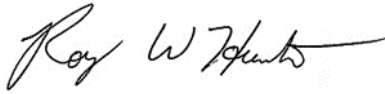
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**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* (Continued)**

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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Roy W. Hunter". The signature is written in black ink and is positioned above the typed name.

Roy W. Hunter, CPA PLLC
Lexington, Kentucky
March 14, 2024