MADISON COUNTY UTILITIES DISTRICT

AUDITED FINANCIAL STATEMENTS

December 31, 2023

Prepared by:

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CERTIFIED PUBLIC ACCOUNTANTS
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White & Associates, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the Madison County Utilities District
Richmond, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities (enterprise fund) of the Madison County Utilities 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 as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities (enterprise fund) of the District, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of the District's proportionate share of the net pension and OPEB liability, and schedules of contributions information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 requires 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 February 20, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
February 20, 2024

Madison County Utilities District
STATEMENT OF NET POSITION
December 31, 2023

		2023
ASSETS		
Current assets:		
Cash and cash equivalents	$	865,158
Certificate of deposit		1,095,957
Accounts receivable		719,673
Inventory		304,618
Prepaid expenses		44,093
Restricted cash and cash equivalents		428,069
Restricted certificate of deposit		471,344
Total current assets		3,928,912
Noncurrent assets:		
Restricted cash and cash equivalents		52,836
Capital assets not being depreciated		673,380
Capital assets, net of accumulated depreciation		16,636,092
Total noncurrent assets		17,362,308
Deferred outflows of resources:		
Deferred outflows of resources related to OPEB		240,136
Deferred outflows of resources related to pension		417,245
Total deferred outflows of resources		657,381
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	21,948,601
LIABILITIES		
Current liabilities:		
Accounts payable	$	595,378
Accrued liabilities:		
Payroll taxes		35,753
Other		22,550
Interest		2,823
Customer deposits, payable from restricted assets		60,597
Long-term debt:		
KIA Loans, due within one year, payable from restricted assets		326,222
Total current liabilities		1,043,323
Noncurrent liabilities:		
Net OPEB liability		443,508
Net pension liability		1,624,865
Compensated absences		132,641
Long-term debt, due beyond one year (net of unamortized premium)		1,364,988
Total noncurrent liabilities		3,566,002
Deferred inflows of resources:		
Deferred inflows related to OPEB		264,435
Deferred inflows related to pension		295,547
Total deferred inflows of resources		559,982
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		5,169,307
NET POSITION		
Net investment in capital assets		15,618,262
Restricted for:		
Future projects		422,065
Customer deposits liability		58,202
Debt service		471,983
Unrestricted (Deficit)		208,782
Total net position		16,779,294
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	21,948,601

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

Madison County Utilities District

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2023

		2023
OPERATING REVENUES		
Water sales	$	5,918,768
Other sales:		
Late charges		40,520
Billing		70,304
Other		23,187
Miscellaneous		92,381
Total operating revenues		6,145,160
OPERATING EXPENSES		
Water		
Bad debt		23,822
Commissioners		18,000
Contractual		71,655
Fees		15,296
Office		139,776
Professional development		1,710
Supplies		10,595
Taxes & license		6,758
Travel		2,857
Salaries and wages		722,490
Employee benefits		305,524
Payroll taxes		65,336
Purchased water		3,074,356
Professional services		83,823
Repairs & maintenance		173,329
Truck & equipment expense		82,981
Insurance		48,192
Utilities		66,483
Depreciation		593,141
Miscellaneous		1,319
Total operating expenses		5,507,443
OPERATING INCOME (LOSS)		637,717
NONOPERATING REVENUES (EXPENSES)		
Gain on investment		93,568
Insurance proceeds		59,187
Interest expense		(34,608)
Gain (loss) on disposal of capital assets		(35,887)
Total nonoperating revenues (expenses)		82,260
INCOME (LOSS) BEFORE CONTRIBUTIONS		719,977
CONTRIBUTIONS		
Capital contributions		218,389
Total contributions		218,389
CHANGE IN NET POSITION		938,366
NET POSITION, BEGINNING		15,840,928
NET POSITION, ENDING	$	16,779,294

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

Madison County Utilities District

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

		2023
Cash flows from operating activities:		
Cash received from customers and other sources	$	6,145,160
Cash payments to suppliers for goods and services		(3,915,963)
Cash payments for employees and benefits		(1,088,927)
Net cash provided (used) by operating activities		1,140,270
Cash flows from capital and related financing activities:		
Proceeds from capital contributions		218,389
Proceeds from insurance		59,187
Purchases and construction of capital assets		(688,554)
Principal payments on long-term debt		(321,823)
Interest paid		(34,608)
Net cash provided (used) by capital and related financing activities		(767,409)
Cash flows from investing activities:		
Interest on certificate of deposit		(19,671)
Sale of investments		(509,806)
Interest on cash and cash equivalents		93,568
Net cash provided (used) by investing activities		(435,909)
Net increase (decrease) in cash and cash equivalents		(63,048)
Cash and cash equivalents, beginning of year		1,409,111
Cash and cash equivalents, end of year	$	1,346,063
Reconciliation of total cash and cash equivalents to the statement of net position:		
Unrestricted	$	865,158
Restricted - current		428,069
Restricted - noncurrent		52,836
Total cash and cash equivalents	$	1,346,063
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	637,717
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation/Amortization		593,141
(Increase) decrease in assets:		
Accounts receivable		(64,092)
Inventory		(83,348)
Deferred outflows-pension		(86,063)
Deferred outflows-OPEB		34,389
Prepaid expenses		(8,773)
Increase (decrease) in liabilities:		
Deferred inflows-pension		6,357
Deferred inflows-OPEB		19,352
Net pension liability		48,389
Net OPEB liability		(29,744)
Accounts payable		62,632
Accrued liabilities		301
Customer deposits		(1,731)
Compensated absences		11,743
Net cash provided (used) by operating activities	$	1,140,270

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

NOTE 1 – Reporting entity and significant accounting policies

(a) *Description of the reporting entity*

Madison County Utilities District (District) was formed in 1997 by the merger of the Kingston-Terrill, Waco, and White Hall water districts. The purpose of the District is to provide potable drinking water to residents and businesses in Madison County. As of December 31, 2023, the District had 11,883 customers. The District is overseen by a board of commissioners appointed by the County Judge/Executive, with the approval of the Madison County Fiscal Court. The District is self-supporting through the charges it makes for water sold. The Madison County Fiscal Court makes no financial contribution to the District nor do they have any management function with the District. The District is subject to the Public Service Commission of the Commonwealth of Kentucky water regulations issued by the Division of Water. The District purchases treated water, ready for distribution, from Richmond Utilities.

(b) *Basis of accounting*

The District operates and reports as a proprietary fund type (enterprise fund) utilizing the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) *Applicable accounting standards*

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for financial statements of state and local governments. The District has elected to follow all pronouncements of the GASB.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for services. Operating expenses for the enterprise fund includes the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(d) *Restricted cash, cash equivalents, and certificates of deposits*

Restricted cash, cash equivalents, and certificates of deposits represent amounts held in trust at financial institutions and investment firms and are set aside for debt payments, reserve, capital improvements and future projects as required by the bond ordinance, other loan agreements and grants.

(e) *Cash and cash equivalents*

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

(f) *Certificates of deposit*

Non-brokered certificates of deposit with a financial institution are reported at amortized cost, which approximates fair value. GASB 72 requires brokered certificates of deposit to be reported at fair market value and not amortized cost.

(g) *Accounts receivable*

The District accounts for the billings to customers as accounts receivable. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If accounts receivable become uncollectible, they will be charged-off when that determination is made.

(h) Inventory

The District maintains a detailed inventory of supplies needed to maintain the water infrastructure. Inventory is stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method.

(i) Prepaid expenses

Payments made by the District that benefit periods beyond December 31st are classified as prepaid expenses. A current asset is recorded at the time of purchase and an expense is made per the consumption method. The prepayment of expenses is for the numerous insurances required on behalf of the District's employees' and its infrastructure.

(j) Capital assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold for capital assets is $2,500.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Transmission main lines	50-75 years
Meters and settings	20-25 years
Hydrants and flush valves	40-50 years
Buildings	40 years
Vehicles	3-5 years
Equipment	7-20 years
Office furniture, fixtures	5-10 years

(k) Customer deposits

Deposits are required by the District for each customer to receive services. The deposits are maintained by the District and returned when services are no longer used or other qualifying event by the District's policy.

(l) Compensated absences

Regular employees of the District earn vacation and sick leave days per year. Vacation days are accrued up to a maximum of 240 hours or 30 days and payable upon termination or retirement. Sick leave days are accrued up to a maximum of 960 hours or 120 days and payable upon retirement/death.

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation balance since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is record for unused sick leave balances only to the extent that it is probable that the unused balances will result in retirement/ death payments. This is estimated by including in the liability the unused balances of employees who are expected to become eligible to receive retirement/death benefits as a result of continuing their employment with the District.

Upon termination or retirement for vacation or retirement/death for sick leave, employees are entitled to receive compensation at their current base salary for all unused vacation and sick leave.

(m) Long-term debt

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issuance costs are reported as an expense of the current period. Refunding of debt may result in deferred gains or losses and are reported as deferred inflows or outflows of resources. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense using the straight-line method.

(n) Net investment in capital assets

Net investment in capital assets is the net amount of the capital assets less the amounts payable for long-term debt financing those capital assets.

(o) Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(p) Revenues

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for goods and services provided. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(q) Capital contributions

Capital contributions include the amounts paid by state and local governments that arise from contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

(r) 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 County Employees' Retirement System (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

(s) Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the County Retirement System of Kentucky (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interestearning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(t) *Recently Issued Standards*

The District has implemented the following new accounting pronouncements:

GASB Statement No. 96-In May, 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and users (governments). The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99-In April, 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2023.

GASB Statement No. 94-In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

There is no effect on current year financial statements for newly adopted accounting pronouncements.

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards.

GASB Statement No. 101- In June, 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. The Statement is effective for reporting periods beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100- In June, 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The impact of these pronouncements on the District's financial statement has not been determined.

NOTE 2 – Budgetary data

The District's Board of Commissioners receives and approves an annual budget from management each calendar year fulfilling the requirement to prepare an annual budget as required by all Special Purpose Governmental Entities for the Kentucky Department of Local Government.

NOTE 3 – Cash, cash equivalents, and certificates of deposit

Cash, cash equivalents, and certificates of deposit as of December 31, 2023, are classified in the accompanying Statement of Net Position as follows:

Unrestricted cash and cash equivalents	$	865,158
Certificate of deposit		1,095,957
Restricted cash and cash equivalents - current		428,069
Restricted certificate of deposit		471,344
Restricted cash and cash equivalents - noncurrent		52,836
	$	2,913,364

Cash, cash equivalents, and certificates of deposit as of December 31, 2023, consist of the following:

Cash on hand	$	1,132
Deposits with financial institutions		1,344,931
Certificate of deposit (non-brokered)		1,095,957
Investments (brokered certificates of deposit)		471,344
Total	$	2,913,364

Custodial Risk
Custodial risk for deposits (demand deposits and non-brokered certificates of deposit) is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2023, the District's deposits with financial institutions were collateralized or uncollateralized as follows:

		Bank Balance				
KY Bank		**Demand**		**Time**		**Totals**
FDIC	$	250,000	$	-	$	250,000
Securities Pledged		917,641		-		917,641
Uncollateralized		-		-		-
Bank balance	$	1,167,641	$	-	$	1,167,641

Central Bank & Trust		**Demand**		**Time**		**Totals**
FDIC	$	154,827	$	-	$	154,827
Uncollateralized		-		-		-
Bank balance	$	154,827	$	-	$	154,827

First Trust Bank		**Demand**		**Time**		**Totals**
FDIC	$	5,393	$	250,000	$	255,393
Securities Pledged		-		416,420		416,420
Bank balance	$	5,393	$	666,420	$	671,813

Fair Value Measurements

For brokered certificates of deposit, the District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 - inputs are quoted prices in active markets for identical assets

Level 2 - inputs reflect prices that are based on a similar observable assets either directly or indirectly, which may include inputs in a market that are not considered to be active

Level 3 - inputs reflect prices based upon unobservable sources.

As of December 31, 2023, the District's recurring fair value measurement of their money market funds and brokered certificates of deposit are valued using Level 1.

				Investment Maturities (Years)				
Investments	**Rating**		**Fair Value**		**Less Than 1**		**1-10**	
Brokered certificates of deposit	N/R	$	900,881	$	-	$	900,881	$

Interest rate risk

The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

In accordance with the District's investment policy, the District may invest in the following:

Certificates of Deposit
Guaranteed Investment Contracts
U.S. Treasury Obligations

Concentration of Credit Risk
The District places no limit on the amount the District may invest in any one issuer. 99.9% of the District's certificates of deposit are invested in non-brokered and brokered certificates of deposit.

Risks and uncertainties
The District invests in various certificates of deposit. Brokered certificates of deposit are exposed to various risks such as interest rate, credit and market risks. Due to the level of risk associated with certain brokered certificates of deposit, it is at least reasonably possible that changes in the values of brokered certificates of deposit will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

NOTE 4 – Restrictions of cash, cash equivalents, and certificate of deposit

Restricted cash, cash equivalents and certificate of deposit, were set aside for the following purposes as of December 31, 2023:

Customer Deposits	$	58,202
KIA Repairs/Maintenance Reserve Account		471,982
Restricted for Future Projects		422,065
Restricted assets	$	952,249

NOTE 5 – Capital assets

Capital asset activity for the calendar year ended December 31, 2023, was as follows:

		Balance 12/31/2022		Additions		Deletions		Balance 12/31/2023
Land	$	378,061	$	-	$	-	$	378,061
Construction in progress		36,925		293,934		(35,540)		295,319
Capital assets not being depreciated		414,986		293,934		(35,540)		673,380
Buildings		735,742		-		-		735,742
Water system		27,400,390		350,390		(32,438)		27,718,342
Vehicles and equipment		382,442		79,770		(53,588)		408,624
		28,518,574		430,160		(86,026)		28,862,708
Accumulated depreciation		(11,683,614)		(593,141)		50,139		(12,226,616)
Capital assets, net of accumulated depreciation		16,834,960		(162,981)		(35,887)		16,636,092
Total capital assets	$	17,249,946	$	130,953	$	(71,427)	$	17,309,472

NOTE 6 – Long-term debt

Kentucky Infrastructure Authority (KIA) Loans

The District holds various assistance agreements with the KIA maturing June 1, 2025 through June 1, 2035 with interest rates between 1% - 3%. Each KIA loan is required to maintain a Maintenance and Replacement Reserve account in which it will deposit an amount equal to the amount set forth in the Project Specifics at the times set for in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project. The restricted R&M reserve as of December 31, 2023, is $444,500. Cash is currently restricted in the amount of $471,982 as of December 31, 2023. The KIA loans pursuant to the loan agreements are secured by and payable solely from the pledged receipts derived from the collection of rates, rentals and charges for the services rendered by the District's system. In the event of default, the non-defaulting party can declare all payments due hereunder, as set forth in the Schedule of Payments, to be immediately due and payable, take whatever action at law or in equity may appear necessary or desirable to enforce its rights under the Assistance Agreement and if the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

The District is in compliance with all covenants of the KIA Assistance Agreements.

A summary of long-term liabilities of the District as of December 31, 2023, is as follows:

		Maturity Date	Beginning Balance 12/31/2022	Additions	Deletions	Ending Balance 12/31/2023	Due in One Year	Due Beyond One Year
KIA Loan F02-07	1%	6/1/25	$ 449,388	$ -	$ 178,411	$ 270,976	$ 180,200	$ 90,776
KIA Loan F07-06	1%	12/1/29	412,063	-	57,119	354,944	57,692	297,252
KIA Loan F13-023	3%	6/1/35	588,605	-	40,051	548,553	41,160	507,393
KIA Loan F10-04	2%	12/1/33	562,977	-	46,241	516,736	47,170	469,566
Accrued Premium			3,040	-	3,040	-	-	-
			2,016,073	-	324,863	1,691,210	326,222	1,364,988
Net Pension Liability			1,576,476	48,389	-	1,624,865	-	1,624,865
Net OPEB Liability			473,252	-	29,744	443,508	-	443,508
Compensated Absences			120,898	11,743	-	132,641	-	132,641
			$ 4,186,699	$ 60,132	$ 354,607	$ 3,892,224	$ 326,222	$ 3,566,002

Debt service requirements to maturity for long-term debt:

Year End December 31	Principal	Interest	Total
2024	$ 326,222	$ 30,570	$ 356,792
2025	239,465	26,097	265,562
2026	151,411	22,921	174,332
2027	154,191	20,141	174,332
2028	157,031	17,301	174,332
2029-2033	581,201	46,070	627,270
2034-2035	81,689	2,257	83,946
	$ 1,691,210	$ 165,357	$ 1,856,567

NOTE 7 – RETIREMENT PLANS

County Employees Retirement System

Non-Hazardous

Plan description
Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. 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.

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

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

Contributions
Funding for CERS:
Tier I plan is provided by members, who contribute 5.00% of their creditable compensation.
Tier II plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.
Tier III plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a

defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member's creditable compensation.

For the year ending June 30, 2023, employers were required to contribute 26.95% of the member's salary, 22.78% pension and 4.17% for insurance. The District contributed $182,405 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 on an actuarial valuation as of that date. The District's proportion of the net pension liability, $1,624,865 was based on contributions to CERS during the fiscal year ended June 30, 2022. The District's proportion was 0.022477%.

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

The District recognized pension revenue of $31,317 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	1,737	$	14,470
Changes of assumptions		-		-
Net difference between projected and actual earnings on pension plan investments		221,096		179,440
Changes in proportion and differences between District contributions and proportionate share of contributions		22,550		101,637
District contributions subsequent to the measurement date		171,862		-
	$	417,245	$	295,547

The $171,862 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

		Year Ended June 30,
Year 1	$	(35,619)
Year 2		(47,049)
Year 3		(13,654)
Year 4		46,158
	$	(50,164)

Actuarial Valuation

KPPA's actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund for the period ended June 30, 2022.

Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. Assumptions and funding policies are reviewed against actual plan experience every 5 years. In general, the assumptions and methods, used in the June 30, 2022 valuation are based on the most recent actuarial experience study for the five year period ending June 30, 2018.

1. Actuarial Cost Method-prepared using the entry age normal cost (EANC) method as required by state statute.
2. UAAL Amortization Method-the actuarial liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization.
3. Asset Valuation Method- recognizes a portion of the difference between the market value of assets and he expected market value of assets.
4. Retiree Insurance Funding Policy-calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 20-year amortization bases.
5. Investment Return Assumption-the future investment earnings of plan assets are assumed t accumulate at a rate of 6.25% per annum.
6. Salary Increase Assumptions-member's salaries are assumed to increase, price inflation component is 2.3%, and productivity component is 1%.
7. Health Care Cost Trend Rate-medical premiums are assumed to increase in 2024 at 6.2% for Non-Medicare Plans, and 9% for Medicare Plans.
8. Payroll Growth Assumption-the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll is assumed to increase at a rate of 0%.
9. Retiree Cost of Living Adjustments (COLA)-SB2 only allows the Cost of Living Adjustments to be awarded on a biennial basis.
10. Retirement Rate Assumptions-retirement ages for Males to retire range from 35%, Females 27%, under 45 years of age to 30% for Males age 70, Females 27%.
11. Mortality Assumptions-refer to the tables included in the KPPA's 2022 Annual Report.
12. Withdrawal Rates- the probability, or likelihood, of active member's terminating employment range from 20% with 1 year of service to 1.35% for 25 years of service.
13. Rates of Disablement-disability benefits to active members range from .04% probability near age 20 to 1.02% near age 60.
14. Assumption Changes Since Prior Valuation-in conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the Medicare Plans was increased during the select period as a result of this review.

Discount rate

A single discount rate of 6.25% was used to measure the total pension liability for the fiscal year ending June 30, 2022. This single discount rate was based on the expected rate of return on pension plan investments.

Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

CERS		**1% Decrease**		**Current Discount Rate**		**1% Increase**
		5.25%		6.25%		7.25%
District's proportionate share of net pension liability	$	2,030,880	$	1,624,865	$	1,289,057

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below for CERS Pension and Insurance Funds:

Asset Class	**Target Allocation**		**Long-Term Expected Real Rate of Return**	
Equity				
Public Equity	50	%	4.45	%
Private Equity	10	%	10.15	%
Fixed Income				
Core Fixed Income	10	%	0.28	%
Specialty Credit	10	%	2.28	%
Cash	0	%	-0.91	%
Inflation Protected				
Real Estate	7	%	3.67	%
Real Return	13	%	4.07	%

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

Payables to the pension plan
At June 30, 2023, there are no payables to CERS.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in the retirement system CERS as described earlier. The following describes the other postemployment benefits for the system.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description
The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits. CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members

employed in non-hazardous duty positions of the school board. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Benefits provided

The Plan provides hospital and medical insurance for eligible members receiving benefits. The Insurance Fund will pay the cost of insurance premium for participating members prior to July 1, 2003 greater than 4 years of service, 25%, greater than 10 years of service, 50%, greater than 15 years of service, 75%, and greater than 20 years of service, 100%. For participating members after July 1, 2003 the benefit paid by the Insurance Fund is based on years of service the dollar amount per year of service is $13.99 to be applied to the current cost premium.

Contributions

Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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

The District reported a liability of $443,508 for its proportionate share of the collective net OPEB liability which is .022473%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles.

For the year ended June 30, 2023, the District recognized OPEB expense of $23,997. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

CERS		**Deferred Outflows of Resources**		**Deferred Inflows of Resources**
Differences between expected and actual experience	$	44,643	$	101,707
Changes of assumptions		70,144		57,798
Net difference between projected and actual earnings on pension plan investments		82,586		64,585
Changes in proportion and differences between District contributions and proportionate share of contributions		16,230		40,345
District contributions subsequent to the measurement date		26,533		-
	$	240,136	$	264,435

The $26,533 (includes $15,990 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 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.

		Year Ended June 30,
Year 1	$	(3,575)
Year 2		(7,426)
Year 3		(34,085)
Year 4		(5,746)
	$	(50,832)

Implicit Employer Subsidy for non-Medicare retirees- The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms
None

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, 2022, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Investment Rate of Return	6.25%
Inflation	2.3%
Payroll Growth Rate	2.0%
Salary Increases	3.3 to 10.3%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% Over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.3% in 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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

Discount rate

Single discount rates of 5.7% were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy

The following table presents the Net OPEB Liability calculated using the discount rate of 5.7%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	$ 592,899	$ 443,508	$ 320,011

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District's proportionate share of the net pension liability calculated using the discount rate of 5.7%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	**1% Decrease**	**Current Trend Rate**	**1% Increase**
District's proportionate share of net OPEB liability	$ 329,738	$ 443,508	$ 580,124

OPEB plan fiduciary net position

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

NOTE 9 - Cafeteria plan

The District maintains a cafeteria plan in accordance with Section 125 of the U.S. Internal Revenue Code (IRC). The plan allows eligible employees to reduce their taxable compensation by allocating an amount from each pay period to pay health insurance premiums. Total employer contributions to the plan in 2023 were $90,295. The District pays for the cost of a single person plan. Any additional coverage is paid by the employee through contributions to the plan.

NOTE 10 – Risk management

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/ destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District purchased commercial insurance coverage.

NOTE 11 – Commitments

The District had no commitments for construction projects in progress as of December 31, 2023.

NOTE 12 - Litigation

The District has one pending matter in litigation that has potential to impact their financial health. The District appealed the Madison Circuit Court's ruling in 23-CI-395. The Court ruled in 23-CI-395 that the District had no rights to serve a new mixed-use development in Madison County. The appeal will determine if the District is allowed to serve this area or is paid to release its rights to this territory. A favorable ruling will significantly impact the District's financial health.

NOTE 13 – Subsequent events

The District has evaluated subsequent events through February 20, 2024, the date the financial statements were available to be issued.

MADISON COUNTY UTILITIES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended December 31, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	**Reporting Fiscal Year** (Measurement Date) 2022 (2021)	**Reporting Fiscal Year** (Measurement Date) 2021 (2020)	**Reporting Fiscal Year** (Measurement Date) 2020 (2019)	**Reporting Fiscal Year** (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)	**Reporting Fiscal Year** (Measurement Date) 2017 (2016)	**Reporting Fiscal Year** (Measurement Date) 2016 (2015)	**Reporting Fiscal Year** (Measurement Date) 2015 (2014)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:									
Districts' proportion of the net pension liability	0.022477%	0.024726%	0.023957%	0.02330%	0.02378%	0.02226%	0.02114%	0.02045%	0.01982%
District's proportionate share of the net pension liability	$ 1,624,865	$ 1,576,476	$ 1,837,482	$ 1,638,910	$ 1,448,092	$ 1,302,946	$ 1,040,878	$ 879,114	$ 998,520
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-	-
Total	$ 1,624,865	$ 1,576,476	$ 1,837,482	$ 1,638,910	$ 1,448,092	$ 1,302,946	$ 1,040,878	$ 879,114	$ 998,520
District's covered-employee payrol	$ 689,523	$ 654,185	$ 631,546	$ 610,520	$ 592,244	$ 568,695	$ 520,285	$ 497,311	$ 456,934
District's proportionate share of the net pension liability as a percentage of its covered-employee payrol	235.65%	240.98%	290.95%	268.44%	244.51%	229.11%	200.06%	168.97%	218.53%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%	66.80%

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

See the accompanying notes to the required supplementary information.

MADISON COUNTY UTILITIES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - PENSION

For the Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:									
Contractually required contribution	$ 171,862	$ 174,506	$ 149,682	$ 150,993	$ 131,715	$ 119,874	$ 105,676	$ 93,005	$ 86,364
Contributions in relation to the contractually required contribution	171,862	174,506	149,682	150,993	131,715	119,874	105,676	93,005	86,364
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 730,351	$ 689,523	$ 654,185	$ 631,546	$ 610,520	$ 592,244	$ 568,695	$ 520,285	$ 497,311
District's proportionate share of the required contributions as a percentage of it's covered-employee payroll	23.53%	25.31%	22.88%	23.91%	21.57%	20.24%	18.58%	17.88%	17.37%

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

See the accompanying notes to the required supplementary information.

County Employee Retirement System (CERS)

<u>Non-Hazardous</u>

Changes of Benefit Terms

Please refer to P. 181 of KPPA's 2022 Annual Report "Benefit Changes since the Prior Valuation".

Changes of assumptions

None.

Actuarial Methods and Assumptions

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets And the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses Incurring after 2019 will be amortized over separate closed 20-year amortization bases
Mortality	System-specific mortality table based on mortality Experience from 2013-2018, projected with the ultimate rates from MP2014 mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

MADISON COUNTY UTILITIES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN

COUNTY EMPLOYEE RETIREMENT SYSTEM

Year Ended December 31, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.022473%	0.024720%	0.023950%	0.02330%	0.02378%	0.02226%
District's proportionate share of the collective net OPEB liability (asset)	$ 443,508	$ 473,252	$ 578,320	$ 391,845	$ 422,120	$ 447,502
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-
Total	$ 443,508	$ 473,252	$ 578,320	$ 391,845	$ 422,120	$ 447,502
District's covered-employee payroll	$ 689,523	$ 654,185	$ 631,546	$ 610,520	$ 592,244	$ 568,695
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	64.32%	72.34%	91.57%	64.18%	71.27%	78.69%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	13.00%

Note: Schedule is intended to show information for the last 10 calendar years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

MADISON COUNTY UTILITIES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN

COUNTY EMPLOYEE RETIREMENT SYSTEM

Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018
HEALTH INSURANCE PLAN						
Contractually required contribution	$ 26,533	$ 26,277	$ 23,375	$ 12,490	$ 13,393	$ 11,103
Contributions in relation to the contractually	26,533	26,277	23,375	12,490	13,393	11,103
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 730,351	$ 689,523	$ 654,185	$ 631,546	$ 610,520	$ 592,244
District's contributions as a percentage of it's covered-employee payroll	3.63%	3.81%	3.57%	1.98%	2.19%	1.87%

Note: Schedule is intended to show information for the last 10 calendar years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

MADISON COUNTY UTILITIES DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
For the year ended December 31, 2023

County Employee Retirement System (CERS)

<u>Employees' Health Plan</u>

Changes of Benefit Terms

Please refer to P. 181 of KPPA's 2022 Annual Report "Benefit Changes since the Prior Valuation".

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from
MP2014	
	Mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05 Over period of 14 years. The 2021 premiums were Known at the time of the valuation and were incorporated Into the liability measurement
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years. The 2021 premiums were known At the time of the valuation and were incorporated into the Liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were Incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022

White & Associates, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475

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 Board of Commissioners of the Madison County Utilities District
Richmond, 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 (enterprise fund) of the Madison County Utilities 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 February 20, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
February 20, 2024

MADISON COUNTY UTILITIES DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2023

SECTION I – SUMMARY OF AUDITORS' RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed?	None Reported
If so, was any significant deficiencies material (GAGAS)?	N/A
Was any material noncompliance reported (GAGAS)?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

MADISON COUNTY UTILITIES DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2023

No prior year audit findings.