Financial Statements for

NORTHERN KENTUCKY WATER DISTRICT

Year Ended December 31, 2023

With Independent Auditor's Report
Including Supplementary Information

DEANDORTON

NORTHERN KENTUCKY WATER DISTRICT
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DEANDORTON

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Northern Kentucky Water District
Erlanger, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinion

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northern Kentucky Water 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 Northern Kentucky Water 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, schedule of the District’s proportionate share of the net pension liability, schedule of the District’s pension contributions, schedule of the District’s proportionate share of the net OPEB liability, and schedule of the District’s OPEB contributions 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northern Kentucky Water District's basic financial statements. The statement of revenues, expenses and changes in net position – budget to actual, statement of water operating revenue, statement of combined operation and maintenance expenses, schedule of insurance coverages, schedule of rates, rules and regulations, and the members of the commission and administrative staff are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic 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 September 19, 2024 on our consideration of the Northern Kentucky Water 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 Northern Kentucky Water 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 Northern Kentucky Water District's internal control over financial reporting and compliance.

Dean Dorton Allen Ford, PLLC

Fort Wright, Kentucky
September 19, 2024

Our discussion and analysis of Northern Kentucky Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2023. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the most recent year by $277,777,392 (net position). This was an increase of $21,988,403 in comparison to the prior year.

- Operating revenues increased $6,259,975 or 10.2% from 2022.

- The debt coverage ratio increased from 1.84 in 2022 to 2.08 in 2023.

Overview of the Financial Statements

The discussion and analysis portion serves as an introduction to the District's basic financial statements. The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statements. The report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements themselves.

The financial statements of the District are designed to provide the readers with a broad overview of the District's finances in a manner similar to a private sector business.

The Statement of Net Position presents information on all the District's assets, liabilities, deferred inflows and deferred outflows with the differences 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 years presented. 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 periods.

The Statement of Cash Flows presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to questions such as where cash came from, what cash was used for, and what the change in cash balance was during the reporting period.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

Overview of Annual Financial Report

Table 1 provides a summary of the District's net position for 2023 compared to 2022.

Table 1
Net Position

	December 31, 2023	December 31, 2022
Assets		
Current Assets	$ 72,920,524	$ 68,729,645
Restricted Assets Noncurrent	46,746,012	60,762,266
Other Noncurrent Assets	17,842,193	13,725,331
Capital Assets, Net	350,834,531	341,849,100
Total Assets	488,343,260	485,066,342
Deferred Outflows of Resources	6,690,450	7,026,556
Liabilities		
Current Liabilities	22,709,271	44,657,384
Restricted Liabilities Noncurrent	955,185	757,658
Other Noncurrent Liabilities	176,560,810	180,251,253
Total Liabilities	200,225,266	225,666,295
Deferred Inflows of Resources	17,031,052	10,637,615
Net Position		
Net Investment in Capital Assets	193,711,902	168,676,399
Restricted	38,529,939	46,487,679
Unrestricted	45,535,551	40,624,910
Total Net Position	**$ 277,777,392**	**$ 255,788,988**

The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* during 2023. Amounts included as of December 31, 2022 have not been restated.

The District's net position for 2023 increased 8.6% to $277,777,392 compared to $255,788,988 for 2022.

A portion of the District's net position (13.9%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

An additional portion of the District's net position (69.7%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (16.4%) may be used to meet the District's ongoing obligations to customers and creditors.

The following points explain the major changes impacting net position as shown on the previous page:

- Cash and cash equivalents decreased $14,025,711 from the previous year due to continued payment on debt balances and capital asset purchases.
- Investments increased $2,494,573 from the previous year due to additional investing of the District's debt service reserve fund including the reserve fund from the issuance of Revenue Bonds Series 2023A.
- Accounts receivable, net increased $1,381,425 due to the first phase of rate increases that went into effect February 2023.
- Capital assets, net of accumulated depreciation increased $8,985,431 from the previous year due to additions of capital assets totaling $21,964,585, depreciation expense incurred on capital assets of $12,731,701, and net disposals totaling $247,453.
- Miscellaneous deferred charges increased $1,736,472 due to the addition of the reservoir residual removal project as a regulatory asset that is required to be amortized.
- Bond indebtedness increased $5,173,576 due to the issuance of Revenue Bonds Series 2023A, offset by continued payments on outstanding bonds.
- Bond Anticipation Notes decreased $24,685,000, due to the issuance of Revenue Bond Series 2023A, which provided funds to retire outstanding Series 2021A Notes.
- Notes payable decreased $1,782,999 from the previous year due to continued payments on outstanding notes.
- Net pension liability decreased $2,034,864 and net OPEB liability decreased $7,219,652 as a result of an overall decrease in the net pension and net OPEB liability of the Kentucky Public Pension Authority's CERS non-hazardous plan.
- The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during 2023. The impact to the statement of net position as of December 31, 2023 was recording a subscription asset, net of amortization for $2,016,504 and a subscription liability for $2,002,946.

Table 2 shows the changes in net assets for 2023, as well as revenue and expense comparisons to 2022.

Table 2
Changes in Net Position

	Years Ended December 31, 2023	2022
Operating Revenues		
Water Sales	$ 65,724,504	$ 59,541,043
Forfeited Discounts	999,074	983,494
Rents From Property	360,644	357,499
Other Water Revenues	317,408	259,619
Total Operating Revenues	67,401,630	61,141,655
Operating Expenses		
Operating and Maintenance Expense	36,646,138	33,683,678
Depreciation Expense	12,898,754	12,487,979
Total Operating Expenses	49,544,892	46,171,657
Net Operating Income	17,856,738	14,969,998
Non-Operating Income (Expense)		
Investment Income	4,511,645	2,007,323
Miscellaneous Non-Operating Income	280,079	240,514
Loss on Abandonment of Mains	(230,982)	(139,273)
Interest on Long-Term Debt	(5,115,954)	(4,940,084)
Amortization of Debt Premiums and Defeasance Costs	1,568,865	1,547,728
Bond Issuance Costs	(308,753)	-
Pension Income (Expense)	833,435	(40,243)
Other Post Employment Benefit Income (Expense)	1,183,512	(560,705)
Arbitrage Expense	(494,309)	(222,923)
Gain on Sale of Capital Assets	49,833	20,899
Total Non-Operating Expenses	2,277,371	(2,086,764)
Change in Net Position Before Capital Contributions	20,134,109	12,883,234
Capital Contributions	1,854,294	2,420,667
Change in Net Position	**$ 21,988,403**	**$ 15,303,901**

In reviewing income before capital contributions, the financial statements showed net income for the year of $20,134,109. Operating revenues increased 10.2% mainly as a result of the first phase of rate increases that went into effect February 2023, combined with an increase in water consumption in 2023 compared to 2022. Operating expenses (including depreciation) increased 7.3% from the previous year due to an increase in salary and related expenses and an increase in chemical costs. Non-Operating Income (Expense) increased $4,364,135 due to an increase in investment income of $2,504,322 and change in pension and other post-employment benefit income (expense). Capital contributions decreased by $566,373 (23.4%) primarily due to the decrease of mains constructed by other entities and contributed to the District.

The District budgeted for $63,423,948 in operating revenues. Actual revenues were $67,401,630, a difference of $3,977,682. The largest difference was due to water sales being overbudget by $3,986,313. The water sales were overbudget primarily due to conservative budgeting practices. Operation, maintenance, and administration expenses were budgeted at $39,268,055. Actual expenses were $36,646,138, a difference of $2,621,917. This difference is due to conservative budgeting practices.

Capital Assets

At December 31, 2023, the capital assets reported were $350,834,531 including land, buildings, water systems, equipment, and vehicles. This represents a net increase of $8,985,431, or (2.6%), over last year due. Additional information on the District's capital assets can be found in Note 8 of this report.

Table 3
Capital Assets, Net of Depreciation

	December 31, 2023	December 31, 2022
Not Being Depreciated		
Land	$ 3,358,565	$ 3,358,565
Construction in Progress	25,364,236	11,452,296
Plant Acquisition Adjustment	5,516,136	5,516,136
Other Capital Assets		
Utility Plants		
Transmission and Distribution, Source of Supply, Pumping System, Power Generation, Water Treatment, and General Plant and Equipment	536,539,152	529,902,606
Subtotal	570,778,089	550,229,603
Less Accumulated Depreciation	219,943,558	208,380,503
Totals	$ 350,834,531	$ 341,849,100

Major capital additions during the year included adding mains for approximately $3,400,000 and services for approximately $1,200,000 and transportation equipment for approximately $1,300,000.

Long-Term Liabilities

Table 4 summarizes the District's long-term liabilities at the end of 2023 as compared to 2022.

Table 4
Outstanding Long-Term Liabilities at Year End

Compensated Absences	$ 1,928,547	$ 1,663,890
Arbitrage Liability	533,095	244,370
Subscription Liability	2,002,946	-
Bond Anticipation Notes	-	24,685,000
Bond Indebtedness	138,436,917	133,263,341
Notes Payable	27,041,227	28,824,226
	$ 169,942,732	$ 188,680,827

At year-end, the District had $165,478,144 in outstanding bond anticipation notes, bond indebtedness, and notes payable compared to $186,772,567 last year. That is a decrease of 11.4% as shown in Table 4.

Economic Factors and Next Year's Budget

The District's budget for 2024 provides for an increase in water revenue due to the rate recovery of the second phase of approved rate adjustments in 2024. Projections for interest income are also higher for 2024 because of anticipated higher interest rates. A modest increase is anticipated for operating expenses as a result of an increase in employee related expenses along with unprecedented inflation rates impacting the increase in purchased power, materials and supplies, and contractual services. Other factors contributing to the increase in operating expenses are chemicals, transportation, and insurance.

The District's operations are presented, in a proprietary, as a single enterprise fund, and as such, the District is not required by GASB to adopt and adhere to a budget or to present budgetary comparison information as required supplementary information (RSI). However, the District's 1985 general bond resolution does require the adoption of an annual budget of current expenses and revenues. The annual budget is further used as a management tool, which serves as the foundation for the District's financial planning and control. Additionally, the Board also chooses to present the budgetary comparison as part of the supplementary information to the financial statements. The Board does not formally amend the budget after approval.

Contacting the District's Financial Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 2835 Crescent Springs Road, Erlanger, KY, 41018.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 42,243,160
Investments	4,522,842
Accounts Receivable	
Customers, Net	7,046,196
Unbilled Customers	10,200,000
Others	162,909
Lease Receivable	123,006
Inventory Supplies for New Installation and Maintenance, at Cost	3,098,757
Prepaid Items	918,216
Restricted Assets - Cash and Cash Equivalents	
Bond Proceeds Fund	780,804
Debt Service Account	2,164,717
Improvement, Repair & Replacement	1,659,917
Total Current Assets	72,920,524
Non-Current Assets	
Lease Receivable	4,951,511
Restricted Assets - Cash and Cash Equivalents	
Bond Proceeds Fund	6,608,867
Debt Service Account	18,944,689
Improvement, Repair and Replacement	1,607,206
Restricted Assets - Investments	
Debt Service Reserve Account	19,585,250
Net Other Postemployment Benefits Asset	486,892
Miscellaneous Deferred Charges	10,387,286
Subscription Assets, Net of Amortization	2,016,504
Capital Assets	
Land, System, Buildings and Equipment	545,413,853
Construction in Progress	25,364,236
Total Capital Assets	570,778,089
Less Accumulated Depreciation	219,943,558
Total Capital Assets, Net of Accumulated Depreciation	350,834,531
Total Noncurrent Assets	415,422,736
Total Assets	488,343,260
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	3,000,934
Deferred Outflows Related to Other Postemployment Benefits	1,631,253
Deferred Loss on Refundings	2,058,263
Total Deferred Outflows of Resources	6,690,450
Total Assets and Deferred Outflows of Resources	**$ 495,033,710**

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023
(Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Bonded Indebtedness	$ 13,830,833
Notes Payable	1,815,154
Subscription Liability	130,289
Accounts Payable	1,104,591
Accrued Payroll and Taxes	611,003
Accrued Subscription Interest	33,348
Compensated Absences	234,297
Other Accrued Liabilities	344,318
Liabilities Payable - Restricted Assets	
Accrued Interest Payable	2,164,717
Accounts Payable	2,440,721
Total Current Liabilities	22,709,271
Non-current Liabilities	
Liabilities Payable - Restricted Assets	
Accounts Payable	955,185
Compensated Absences	1,694,250
Arbitrage Liability	533,095
Bond Indebtedness	124,606,084
Notes Payable	25,226,073
Subscription Liability	1,872,657
Net Pension Liability	22,628,651
Total Long-Term Liabilities	177,515,995
Total Liabilities	200,225,266
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	2,651,096
Deferred Inflows Related to Other Postemployment Benefits	7,838,381
Deferred Inflows Related to Leases	4,830,703
Deferred Gain on Refundings	1,710,872
Total Deferred Inflows of Resources	17,031,052
Total Liabilities and Deferred Inflows of Resources	217,256,318
Net Position	
Net Investment in Capital Assets	193,711,902
Restricted For Debt Service Funds	38,529,939
Unrestricted	45,535,551
Total Net Position	277,777,392
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 495,033,710

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

Operating Revenues	
Water Sales	$ 65,724,504
Forfeited Discounts	999,074
Rents From Property	360,644
Other Water Revenues	317,408
Total Operating Revenues	67,401,630
Operating Expenses	
Operating and Maintenance Expense	36,646,138
Depreciation Expense	12,898,754
Total Operating Expenses	49,544,892
Net Operating Income	17,856,738
Non-Operating Income (Expense)	
Investment Income	4,511,645
Miscellaneous Non-Operating Income	280,079
Loss on Abandonment of Mains	(230,982)
Interest on Long-Term Debt	(5,115,954)
Amortization of Debt Premiums and Defeasance Costs	1,568,865
Bond Issuance Costs	(308,753)
Pension Income	833,435
Other Post Employment Benefit Income	1,183,512
Arbitrage Expense	(494,309)
Gain on Sale of Capital Assets	49,833
Total Non-Operating Income	2,277,371
Change in Net Position Before Capital Contributions	20,134,109
Capital Contributions	1,854,294
Change in Net Position	21,988,403
Net Position - Beginning of Year	255,788,989
Net Position - End of Year	$ 277,777,392

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities	
Received From Customers	$ 66,205,605
Received for Miscellaneous Non-Operating Income	280,079
Paid to Suppliers for Goods and Services	(24,323,904)
Paid to or on Behalf of Employees for Services	(17,192,826)
Net Cash Provided by Operating Activities	24,968,954
Cash Flows From Investing Activities	
Purchase of Investments	(50,090,262)
Proceeds From Sale of Investments	53,192,246
Investment Income	3,237,389
Net Cash Provided by Investing Activities	6,339,373
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Debt	(19,990,010)
Interest Paid on Bonds and Notes	(5,108,626)
Bond Issuance Costs Paid	(308,753)
Acquisition and Construction of Capital Assets and Regulatory Assets	(20,110,291)
Proceeds on Sale of Capital Assets	66,304
Principal Received as Lessor	117,382
Interest Received as Lessor	205,539
Payment on Arbitrage Liability	(205,584)
Net Cash Used by Capital and Related Financing Activities	(45,334,039)
Net Change in Cash	(14,025,712)
Cash and Cash Equivalents Beginning of Year	88,035,072
Cash and Cash Equivalents End of Year	$ 74,009,360
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	$ 17,856,738
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	12,898,754
Miscellaneous Non-Operating Income	280,079
Change in Assets and Liabilities	
Accounts Receivable, Net	(1,381,425)
Assessments Receivable	185,400
Inventory Supplies	(693,845)
Prepaid Items	189,728
Miscellaneous Deferred Charges	(6,608,862)
Accounts Payable	1,922,729
Accrued Payroll and Taxes	6,376
Accrued Compensated Absences	264,657
Other Accrued Liabilities	48,625
Net Cash Provided by Operating Activities	$ 24,968,954

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Supplemental Schedule of Noncash Capital and Related Financing Activities	
Change in Fair Value of Investments	$ (561,654)
Contributions of Capital Assets	$ 1,854,294
Pension Expense	$ 833,435
Other Post Employment Benefit Expense	$ 1,183,512
Amortization Expense	$ (1,568,867)
Issuance of Revenue Bond Through Refunding of BAN	$ 7,070,000
Issuance of Bond Premium Through Refunding of BAN	$ (576,489)
Subscription Assets Obtained in Exchange for Existing Subscription Liabilities	$ 2,175,635
Subscription Assets Obtained in Exchange for New Subscription Liabilities	$ 7,922
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position	
Cash and Cash Equivalents - Current	$ 42,243,160
Cash and Cash Equivalents - Restricted	31,766,200
Total Cash and Cash Equivalents	$ 74,009,360

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northern Kentucky Water District (the District) was established August 28, 1996 and became operational January 1, 1997 as a result of a merger agreement executed by the Kenton District Water District No. 1 and the Campbell District Kentucky Water District. The District was organized and operates under the provisions of Kentucky Revised Statutes (Chapter 74). The District owns and operates water production and distribution facilities which are used to furnish water supplies within their service area as approved by the Commonwealth of Kentucky Public Service Commission.

Presentation, Basis of Accounting, and Measurement Focus

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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

The enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses.

The enterprise fund is reported using an economic resources measurement focus. This measurement focus includes all assets and liabilities (whether current or noncurrent) associated with the activity in the fund's statement of net position.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Certain estimates relate to unsettle transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues from water sales, forfeited discounts, rents from property, and other water revenues are reported as operating revenues. Operating expenses for enterprise funds include the costs of sales 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The District is authorized by bond resolution to invest in direct obligations of the United States, or obligations guaranteed by the United States, obligations of certain federal agencies and instrumentalities, including U.S. dollar-denominated deposits in commercial banks which are insured by the Federal Deposit Insurance Corporation or fully collateralized by the foregoing, and public housing bonds or project notes issued by public housing authorities annual contribution contracts with the United States or by requisition or payment agreement with the United States.

Investments

Investments are reported at fair value based on quoted market prices.

Accounts Receivable - Customers

The District follows a quarterly cycle billing procedure with approximately one-third of the meter readings billed each month. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of water revenue. In order to accomplish a proper matching of revenues with expenses and to fairly state assets, an analysis is prepared of the final quarterly billings in the year to determine the estimated amount of water delivered but unbilled at year end.

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The District begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the District's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectible after the District has used reasonable collection efforts and deems them uncollectible. Based on these criteria, the District has estimated an allowance for doubtful accounts of $55,000 at December 31, 2023.

Assessments Receivable

Direct assessments from property owners are recorded as a receivable by the District at the time the improvement project is completed. These balances were written off during 2023 as they were deemed uncollectible.

Inventory

Inventory is valued at the lower of cost, using the moving average method, or net realizable value. Inventories consist of expendable supplies held for new water line installations and maintenance and are charged to expenditures on an “as used” basis.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is therefore deferred until that time. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred inflows of resources related to pensions and other postemployment benefits.

Deferred outflows of resources represent a consumption of net positions that applies to a future period, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Prior to 1978, capital assets were recorded as expenditures at the time of purchase and capitalized to the Plant Fund. No depreciation was provided on capital assets and continuing property records were not maintained.

The District obtained an independent appraisal which includes a detailed listing of District buildings, structures and contents. The appraisal serves as the basis for detailed property records that are updated on a continuous basis.

Capital assets are stated at cost or appraised value and depreciated over the estimated useful lives of the related assets. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

Depreciation of the capital assets is computed on the straight-line method over the estimated the following useful lives of the assets:

Structures and Improvements	35 - 40 Years
Supply Mains	35 - 45 Years
Pumping and Water Treatment Equipment	20 - 40 Years
Distribution Reservoirs and Mains	30 - 75 Years
Services, Meters, Hydrants	35 - 75 Years
Office Furniture and Equipment	5 - 25 Years
Other Equipment	7 - 20 Years

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to the appropriate capital asset account.

Capital Contributions

These contributions represent assessments/reimbursements to recover the costs of new services and extensions of the distribution system. The District does not include the amount of costs incurred and contributed by outside contractors for the installation of distribution systems which the District absorbs and provides for their operations and maintenance.

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 CERS' 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.

Postemployment Benefits Other Than Pensions (OPEB)

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

Compensated Absences

Employees of the District are entitled to paid vacation and sick pay depending on length of service and other factors. The amounts recorded for accumulated vacation and sick as of December 31, 2023 was $1,928,547.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. All other net position that does not meet the definition of “restricted” or “net investment in capital assets” is considered unrestricted.

Bond Premiums and Issue Costs

Bonds payable are reported, net of any premiums, which are amortized over the life of the applicable bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recognized as an expense in the year incurred.

Adoption of New Accounting Standards

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and to provide guidance for accounting and financial reporting for availability payment arrangements. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period for a period of time in an exchange or exchange-like transaction. The requirements of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. The District determined the adoption of this statement has no material impact on its financial statements.

Subscription-Based Information Technology Arrangements

The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* as of January 1, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. A SBITA is defined as a contract that conveys control of the right to use another party’s information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

The District evaluated contracts that were formerly accounted for as subscription agreements to determine whether they meet the definition of a SBITA as defined in GASB 96. The District identified several contracts that met the definition of a SBITA. As such, the District calculated and recognized a right to use subscription asset and an offsetting liability of $2,175,635 as of January 1, 2023. The beginning net position was not restated for the adoption of GASB 96.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investment Policy

General Policy

It is the policy of the District to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and District regulations governing the investments of public funds.

Authorized Investment Instruments

In accordance with KRS 66.480, the District is authorized to invest in the following:

A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.

B) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.

C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.

D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).

E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.

F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.

G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.

H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.

J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).

K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).

L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of December 31, 2023, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no custodial credit risk at December 31, 2023.

Credit Risk – Investments. The District's investments are subject to minimal credit risk because they are invested in Federal Agency securities which are generally considered free of default risk due to the perceived stability of the U.S. Government.

NOTE 3 – RESTRICTED ASSETS

Restricted assets consist of monies and other resources which are restricted legally as described below:

Bond Proceeds Fund – These assets contain the bond proceeds plus investment interest earned that are available for paying the cost of construction and acquisition contracts relating to the water system as provided in the various bond ordinances. The balance of the bond proceeds fund consisted of the following at December 31, 2023:

Cash and Cash Equivalents	$ 7,389,671

Debt Service Reserve Account – These assets hold an amount that will equal the aggregate debt service reserve requirement (defined as the maximum annual debt service requirement in any succeeding bond fiscal year). The balance of the debt service reserve account consisted of the following at December 31, 2023:

Cash and Cash Equivalents	$ 12,626,962
Purchase and Resale Agreements	732,136
Forward Delivery Agreements	3,006,647
FHLB Bonds	3,100,000
Accrued Interest Receivable and CD Market Change	119,505
	$ 19,585,250

Debt Service Account – These assets accumulate monies for the purpose of paying interest on the bonds when due and payable and paying the principal of the bonds when due and payable. The balance of the debt service account consisted of the following at December 31, 2023:

Cash and Cash Equivalents	$ 21,109,406

Improvement, Repair, and Replacement – These assets are available to make major repairs and replacements and to pay the cost of construction of additions, extensions and improvements to the water system. The balance of the improvement, repair, and replacement account consisted of the following at December 31, 2023:

Cash and Cash Equivalents	$ 3,267,123

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2023:

Accounts Receivable Arising From Billings of Metered Water Sales, Net of Allowance	$	7,046,196
Accrual for Estimated Unbilled Water Revenue		10,200,000
Other		162,909
Total	$	17,409,105

NOTE 5 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

The District, as lessor, has various leases with communication companies for use of the District's towers. Each lease agreement has an initial term of five years, with four, five year renewal options at the end of the lease that are reasonably certain to be exercised. The terms of the renewals expire at various dates through April 2047. The District calculated the present value of future lease revenue based on an incremental borrowing rate of 4.0%.

The present value of the expected minimum lease payments to be received for these leases are as follows:

Years Ending December 31,		Principal		Interest		Total
2024	$	123,006	$	200,756	$	323,762
2025		132,310		195,652		327,962
2026		141,791		190,200		331,991
2027		157,102		184,307		341,409
2028		173,165		177,661		350,826
2029 - 2033		1,045,168		772,994		1,818,162
2034 - 2038		1,450,867		525,676		1,976,543
2039 - 2043		1,555,038		199,076		1,754,114
2044 - 2047		296,070		14,560		310,630
	$	5,074,517	$	2,460,882	$	7,535,399

The District reported a lease receivable of $4,951,511 at December 31, 2023 and a related deferred inflows of $4,830,703. During the year ended December 31, 2023, the District recognized $243,572 of lease revenue and $205,317 of interest revenue related to these leases.

NOTE 6 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has noncancellable subscription-based information technology arrangements (SBITAs) for the right to use IT vendors' information technology software reportable under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which was implemented in fiscal year 2023. For SBITAs, the District recognizes a subscription asset with a corresponding subscription liability. The liability has been discounted at the District's estimated incremental borrowing rate on the contracts.

The total amount of subscription assets and the related accumulated amortization are as follows:

	Business-Type Activities
Subscription Asset	$ 2,183,557
Less Accumulated Amortization	(167,053)
Subscription Asset, Net	$ 2,016,504

The following schedule details minimum subscription payments to maturity for the District's SBITA liability at December 31, 2023.

Years Ending December 31,	Principal	Interest	Total
2024	$ 130,289	$ 81,603	$ 211,892
2025	56,110	76,295	132,405
2026	58,396	74,009	132,405
2027	80,613	71,630	152,243
2028	83,898	68,345	152,243
2029 - 2033	489,165	287,274	776,439
2034 - 2038	639,337	175,924	815,261
2039 - 2043	465,138	38,405	503,543
	$ 2,002,946	$ 873,485	$ 2,876,431

NOTE 7 – FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the markets for the security type and the inputs used to determine their fair value, as follows:

LEVEL 1 – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the District has the ability to access.

LEVEL 2 – Other observable inputs (included but not limited to, quoted prices for similar assets or liabilities in the markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks, and default rates) or other market- corroborated inputs).

LEVEL 3 – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Investments				
Certificates of Deposit	$ 214,000	$ -	$ -	$ 214,000
Commercial Paper	-	4,308,842	-	4,308,842
Total Investments	214,000	4,308,842	-	4,522,842
Restricted Investments				
Cash and Cash Equivalents	12,746,467	-	-	12,746,467
Purchase and Resale Agreements	-	732,136	-	732,136
Forward Delivery Agreements	-	3,006,647	-	3,006,647
FHLB Bonds	-	3,100,000	-	3,100,000
Total Restricted Investments	12,746,467	6,838,783	-	19,585,250
Total Assets at Fair Value	$ 12,960,467	$ 11,147,625	$ -	$ 24,108,092

NOTE 8 – CAPITAL ASSETS

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

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023
Land, System, Buildings and Equipment				
Land and Land Rights	$ 3,358,565	$ -	$ -	$ 3,358,565
Structures and Improvements	134,097,270	495,321	(877)	134,591,714
Lake River and Other Intakes	1,463,171	-	-	1,463,171
Supply Mains	2,865,693	-	-	2,865,693
Power Generation Plant	4,036,027	-	-	4,036,027
Pumping Equipment	12,839,641	142,804	(13,883)	12,968,562
Water Treatment Equipment	31,029,807	106,967	(58,404)	31,078,370
Distribution Reservoirs and Standpipes	11,354,093	-	-	11,354,093
Transmissions and Distribution Mains	238,528,751	3,429,311	(397,930)	241,560,132
Services	37,347,130	1,231,115	(116,220)	38,462,025
Meters and Meter	21,226,279	697,495	(111,557)	21,812,217
Installations Hydrants	11,178,875	126,862	(34,240)	11,271,497
Other Plant and Miscellaneous Equipment	3,422,778	-	(6,507)	3,416,271
Office Furniture and Equipment	4,024,560	13,261	(248,406)	3,789,415
Transportation Equipment	6,478,487	1,372,250	(420,466)	7,430,271
Tools, Shop, and Garage Equipment	1,026,990	165,000	(751)	1,191,239
Laboratory Equipment	898,707	180,175	(3,259)	1,075,623
Power Operated Equipment	1,127,059	-	(384)	1,126,675
Communication Equipment	6,364,782	92,084	(3,215)	6,453,651
Miscellaneous Equipment	592,506	-	-	592,506
Utility Plant Acquisition Adjustment	545,925	-	-	545,925
Acquisition Adjustment - Newport	4,970,211	-	-	4,970,211
Total Land, System, Buildings and Equipment	538,777,307	8,052,645	(1,416,099)	545,413,853
Construction in Progress	11,452,296	16,843,019	(2,931,079)	25,364,236
Total Capital Assets	550,229,603	24,895,664	(4,347,178)	570,778,089
Less Accumulated Depreciation	208,380,503	12,731,701	(1,168,646)	219,943,558
Capital Assets - Net	$ 341,849,100	$ 12,163,963	$ (3,178,532)	$ 350,834,531

NOTE 9 – ARBITRAGE

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt and requires the District to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of the District's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. The District has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At December 31, 2023, the arbitrage rebate liability was $533,095.

Rebate calculations are prepared annually. However, any liability due is only required to be paid every 5 years from the original date of the bond. During the year ended December 31, 2023, the District paid $205,584.

NOTE 10 – LONG-TERM DEBT

Revenue Bonds

Water District Revenue Bonds, Series 2013A

In June 2013, the District sold $26,400,000 of its Revenue Bonds in order to fund various construction projects. The 2013 bonds maturing on or after February 2023 are subject to redemption after 2023 at a redemption price of 100%.

The Water District Revenue Bonds, Series 2013A are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	5.00%	$ 925,000	$ 803,651	$ 1,728,651
2025	5.00%	970,000	756,276	1,726,276
2026	5.00%	1,020,000	706,526	1,726,526
2027	4.00%	1,070,000	659,626	1,729,626
2028	4.00%	1,110,000	616,026	1,726,026
2029-2033	4.00-4.50%	6,295,000	2,343,855	8,638,855
2034-2038	4.13-4.25%	7,785,000	847,130	8,632,130
Total		$ 19,175,000	$ 6,733,090	$ 25,908,090

Water District Refunding Revenue Bonds, Series 2013B

In September 2013, the District issued $24,120,000 of Refunding Revenue Bonds, Series 2013B for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2002B, 2003A, and 2003B in the principal amount $25,685,000. The bonds were sold at a premium of $1,789,625, for a total source of funds of $25,909,625. The 2013 bonds maturing on or after February 2023 are subject to redemption after 2023 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $364,880. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 18 years by $1,302,804 and obtains an economic gain (difference between the present values of the old and new debt service) of $1,081,327.

NOTE 10 – LONG-TERM DEBT (Continued)

The Water District Refunding Revenue Bonds, Series 2013B are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	4.00%	$ 1,570,000	$ 347,300	$ 1,917,300
2025	4.00%	1,635,000	283,200	1,918,200
2026	4.00%	1,700,000	216,500	1,916,500
2027	5.00%	1,780,000	138,000	1,918,000
2028	5.00%	1,870,000	46,750	1,916,750
Total		$ 8,555,000	$ 1,031,750	$ 9,586,750

Water District Refunding Revenue Bonds, Series 2014B

In December 2014, the District issued $15,805,000 of Refunding Revenue Bonds, Series 2014B for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2003C and 2004 in the principal amount $16,715,000. The bonds were sold at a premium of $1,263,374, for a total source of funds of $17,068,374. The 2014 bonds maturing on or after August 2023 are subject to redemption after 2023 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $290,040. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $1,678,190 and obtains an economic gain (difference between the present values of the old and new debt service) of $1,469,689.

The Water District Refunding Revenue Bonds, Series 2014B are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	3.00%	$ 495,000	$ 101,663	$ 596,663
2025	4.00%	515,000	83,938	598,938
2026	4.00%	540,000	62,838	602,838
2027	3.00%	550,000	43,788	593,788
2028	3.00%	570,000	26,988	596,988
2029	3.13%	590,000	9,219	599,219
Total		$ 3,260,000	$ 328,434	$ 3,588,434

Water District Refunding Revenue Bonds, Series 2016A

In November 2016, the District issued $41,905,000 of Refunding Revenue Bonds, Series 2016A for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2009 and for the current refunding of the outstanding Revenue Bond Series 2006 in the principal amount $44,340,000. The bonds were sold at a premium of $5,161,005, for a total source of funds of $47,066,005. The 2016 bonds maturing on or after August 2026 are subject to redemption after 2026 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $2,629,474. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $1,678,190 and obtains an economic gain (difference between the present values of the old and new debt service) of $7,844,962.

NOTE 10 – LONG-TERM DEBT (Continued)

The Water District Refunding Revenue Bonds, Series 2016A are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	5.00%	$ 2,715,000	$ 972,525	$ 3,687,525
2025	5.00%	2,865,000	833,025	3,698,025
2026	5.00%	3,015,000	686,025	3,701,025
2027	5.00%	3,170,000	531,400	3,701,400
2028	3.00%	3,300,000	402,650	3,702,650
2029-2031	3.00-4.00%	10,630,000	502,525	11,132,525
Total		$ 25,695,000	$ 3,928,150	$ 29,623,150

Water District Refunding Revenue Bonds, Series 2019

In September 2019, the District issued $17,845,000 of Revenue Bonds, Series 2019 for the purpose of refunding Revenue Bond Anticipation Notes, Series 2017. The bonds were sold at a premium of $1,804,915, for a total source of funds of $18,929,915. The Series 2019 bonds maturing on or after February 2028 are subject to redemption after August 2027 at a redemption price of 100%.

The Water District Refunding Revenue Bonds, Series 2019 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	4.00%	$ 505,000	$ 524,200	$ 1,029,200
2025	5.00%	530,000	500,850	1,030,850
2026	5.00%	560,000	473,600	1,033,600
2027	5.00%	585,000	444,975	1,029,975
2028	5.00%	615,000	414,975	1,029,975
2029-2033	3.00-4.00%	3,440,000	1,717,425	5,157,425
2034-2038	3.00%	4,005,000	1,156,575	5,161,575
2039-2043	3.00%	4,645,000	508,875	5,153,875
2044	3.00%	1,015,000	15,225	1,030,225
Total		$ 15,900,000	$ 5,756,700	$ 21,656,700

Water District Refunding Revenue Bonds, Series 2020

In October 2020, the District issued $22,325,000 of Refunding Revenue Bonds, Series 2020 for the purpose of current refunding of the District's outstanding Revenue Bonds Series 2011 in the principal amount of $22,435,000 and for the refunding of the Rural Development Loan 91-02 in the principal amount $1,641,000. The bonds were sold at a premium of $2,481,834, for a total source of funds of $24,656,070. The 2020 bonds maturing on or after February 2035 are subject to redemption after February 2028 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $76,496. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $5,828,770 and obtains an economic gain (difference between the present values of the old and new debt service) of $5,051,126.

NOTE 10 – LONG-TERM DEBT (Continued)

The Water District Refunding Revenue Bonds, Series 2020 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	5.00%	$ 1,225,000	$ 630,325	$ 1,855,325
2025	5.00%	1,290,000	567,450	1,857,450
2026	5.00%	1,355,000	501,325	1,856,325
2027	5.00%	1,425,000	431,825	1,856,825
2028	5.00%	1,500,000	358,700	1,858,700
2029-2033	2.00-4.00%	8,350,000	933,150	9,283,150
2034-2035	2.00%	3,635,000	73,050	3,708,050
Total		$ 18,780,000	$ 3,495,825	$ 22,275,825

Water District Refunding Revenue Bonds, Series 2021B

In December 2021, the District issued $27,730,000 of Refunding Revenue Bonds, Series 2021B for the purpose of current refunding of the District's outstanding Revenue Bonds Series 2012 in the principal amount of $29,310,00. The bonds were sold at a premium of $3,703,731, for a total source of funds of $33,013,731.

The net carrying amount of the refunded debt exceeded the reacquisition price $2,848,371. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $3,149,288 and obtains an economic gain (difference between the present values of the old and new debt service) of $3,093,721.

The Water District Refunding Revenue Bonds, Series 2021B are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	4.00%	$ 4,675,000	$ 643,700	$ 5,318,700
2025	4.00%	4,865,000	452,900	5,317,900
2026	4.00%	5,070,000	254,200	5,324,200
2027	4.00%	3,820,000	76,400	3,896,400
Total		$ 18,430,000	$ 1,427,200	$ 19,857,200

NOTE 10 – LONG-TERM DEBT (Continued)

Water District Revenue Bonds, Series 2023

In January 2023, the District issued $17,615,000 of Revenue Bonds, Series 2023 for the purpose of using the proceeds along with a planned issuer contribution of $8,000,000 to pay off the Revenue Bond Anticipation Note. The bonds were sold at a premium of $576,488, for a total source of funds of $26,191,488.

The Water District Revenue Bonds, Series 2023 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	5.00%	$ 385,000	$ 744,531	$ 1,129,531
2025	5.00%	410,000	724,656	1,134,656
2026	5.00%	435,000	703,531	1,138,531
2027	5.00%	455,000	681,281	1,136,281
2028	5.00%	475,000	658,031	1,133,031
2029-2033	4.00-5.00%	2,770,000	2,901,331	5,671,331
2034-2038	4.00%	3,430,000	2,236,181	5,666,181
2039-2043	4.13-4.00%	4,170,000	1,478,781	5,648,781
2044-2048	4.13%	5,085,000	541,509	5,626,509
Total		$ 17,615,000	$ 10,669,832	$ 28,284,832

Rural Development Loan 91-03

In December 2017, the District closed on a loan agreement with the Department of Agriculture for the purpose of making certain improvements to the Water System. The amount of the loan was $1,733,000 with an annual interest rate of 2.75%. The repayment of the loan is on a 40-year amortization schedule.

The following is a schedule of future debt service requirements to maturity:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	2.75%	$ 29,500	$ 44,227	$ 73,727
2025	2.75%	30,500	43,402	73,902
2026	2.75%	31,000	42,556	73,556
2027	2.75%	32,000	41,690	73,690
2028	2.75%	33,000	40,796	73,796
2029-2033	2.75%	177,500	189,784	367,284
2034-2038	2.75%	204,000	163,597	367,597
2039-2043	2.75%	233,500	133,577	367,077
2044-2048	2.75%	267,500	99,174	366,674
2049-2053	2.75%	306,000	59,784	365,784
2054-2057	2.75%	278,500	15,627	294,127
Total		$ 1,623,000	$ 874,214	$ 2,497,214

NOTE 10 – LONG-TERM DEBT (Continued)

Rate Covenant: The District is in compliance with Section 726-subsection (iii) of the 1985 General Bond Resolution (as amended November 17, 1987) which requires that the net annual income and revenues, as adjusted, be equal to at least one and twenty hundredths (1.20) times the maximum annual debt service requirement coming due in any future twelve (12) month period beginning February 1, and ending January 31, on all Bonds outstanding payable from pledged receipts.

Mortgage Lien: The District's bonds are secured by a statutory mortgage lien on all properties of the District.

Events of Default: Each of the following events in the bond ordinances is defined as and shall constitute an event of default:

a) Default by the District in the payment of any principal installment or premium, if any, on any bond when due;

b) Default by the District in the payment of any installment of interest on the bonds when due;

c) Failure or refusal by the District to comply with the act pursuant to which the District was created, or default in the performance or observance of any other of the covenants, agreements or conditions contained in the Resolution, any series resolution, any supplemental resolution or the bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the holder of not less than five percent in principal amount of the outstanding bonds.

Enforcement of Remedies: In the event of default, the holders of not less than twenty-five percent in principal amount of the outstanding bonds may proceed, subject to certain provisions in the resolution, to protect and enforce the rights of the bondholders by such of the following remedies as such bondholders shall deem most effectual, including the following:

a) Enforce by mandamus or other suit, action or proceedings at law or in equity all rights of the bondholders, including the right to require the District to enforce, collect and receive water rates, rentals and charges adequate to carry out the covenants and agreements of the District as to production of income, and to require the District to carry out any other covenant or agreement with bondholders and to perform its duties under the Act;

b) Bring suit upon the bonds;

c) Require the District by action or suit to account as if it were the trustee of an express trust for the holders of the bonds;

d) Enjoin by action or suit any act or things which may be unlawful or in violation of the rights of the holders of the bonds;

e) By action or suit in equity, seek the appointment of a receiver who shall take charge of and administer the affairs of the District;

f) Declare all bonds due and payable, and if all default shall be made good (excepting acceleration provisions), then with the written consent of not less than twenty-five percent (25%) in principal amount of the holders of outstanding bonds, to annul such declaration and its consequences; and

g) In the event that all bonds are declared due and payable, and a receiver is appointed, to sell all investments and all other assets of the District (to the extent not theretofore set aside for redemption of bonds for which call has been made), and to cause the receiver to take over the public water system and operate same in the name of the District for the use and benefit of the bondholders.

NOTE 10 – LONG-TERM DEBT (Continued)

Revenue Bond Anticipation Note

In March, 2021, the District issued $24,685,000 of Revenue Bond Anticipation Notes, Series 2021A in order to fund various construction projects. The Series 2021A notes matured in February 2023 and were subject to optional redemption, in whole or in part, on any date beginning August 1, 2022. The Series 2021A notes were secured by a pledge of the proceeds of the Series 2023A Bonds to be issued by the District before the maturity date of the Series 2021A notes and any investment obligations purchased with the proceeds of the Series 2021A notes.

In January 2023, the District issued $17,615,000 of Revenue Bonds, Series 2023 for the purpose of using the proceeds along with a planned issuer contribution of $8,000,000 to pay off the Revenue Bond Anticipation Note.

Notes From Direct Borrowings

Fiscal Court of Kenton District, Kentucky

The Kenton District Water District received a $100,000 deferred payment loan at 3.0%. This loan was required as a local match to qualify for a $750,000 Community Development Block Grant for Phase 1 of a water project in southern Kenton District. This loan will become due and payable only after sufficient customers in southern Kenton District are obtained in order to reduce the user rates, including surcharges, to approximately $26 per month.

Kentucky Infrastructure Authority Loan F08-07

In November 2008, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $4,000,000 at an interest rate of 1.0%. As of December 31, 2013, all funds have been received.

The Kentucky Infrastructure Authority Loan F08-07 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 202,680	$ 23,106	$ 225,786
2025	204,711	20,566	225,277
2026	206,764	18,001	224,765
2027	208,837	15,409	224,246
2028	210,930	12,793	223,723
2029-2032	865,079	24,472	889,551
Total	$ 1,899,001	$ 114,347	$ 2,013,348

NOTE 10 – LONG-TERM DEBT (Continued)

Kentucky Infrastructure Authority Loan F09-02

In October 2010, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $8,000,000 at an interest rate of 2.0%. As of December 31, 2013, all funds have been received.

The Kentucky Infrastructure Authority Loan F09-02 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 1,216,098	$ 276,493	$ 1,492,591
2025	1,240,541	248,994	1,489,535
2026	1,265,476	220,942	1,486,418
2027	1,290,912	192,327	1,483,239
2028	1,316,859	163,136	1,479,995
2029-2033	6,261,195	356,864	6,618,059
Total	$ 12,591,081	$ 1,458,756	$ 14,049,837

Kentucky Infrastructure Authority Loan F13-012

In May 2013, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $8,000,000 at an interest rate of 2.0%. As of December 31, 2023, $4,523,000 has been received. Payments will not begin until one year after the initiation of operation of the project, and therefore a maturity date has not been determined.

Kentucky Infrastructure Authority Loan F14-015

In December 2013, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $4,000,000 at an interest rate of 2.0%. As of December 31, 2018, all funds have been received.

The Kentucky Infrastructure Authority Loan F14-015 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 164,528	$ 52,991	$ 217,519
2025	167,420	49,686	217,106
2026	170,362	46,323	216,685
2027	173,357	42,901	216,258
2028	176,404	39,419	215,823
2029-2033	929,632	142,678	1,072,310
2034-2038	908,806	45,968	954,774
Total	$ 2,690,509	$ 419,966	$ 3,110,475

NOTE 10 – LONG-TERM DEBT (Continued)

Kentucky Infrastructure Authority Loan F15-011

In November 2014, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $4,000,000 at an interest rate of 2.0%. As of December 31, 2018, all funds have been received.

The Kentucky Infrastructure Authority Loan F15-011 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 164,026	$ 52,829	$ 216,855
2025	166,909	49,535	216,444
2026	169,843	46,182	216,025
2027	172,828	42,770	215,598
2028	175,866	39,298	215,164
2029-2033	926,797	142,243	1,069,040
2034-2038	906,033	45,828	951,861
Total	$ 2,682,302	$ 418,685	$ 3,100,987

Kentucky Infrastructure Authority Loan B15-003

In July 2016, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $1,500,000 at an interest rate of 0.75%. As of December 31, 2018, all funds have been received.

The Kentucky Infrastructure Authority Loan B15-003 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2024	$ 67,822	$ 9,314	$ 77,136
2025	68,331	8,668	76,999
2026	68,845	8,018	76,863
2027	69,362	7,362	76,724
2028	69,883	6,702	76,585
2029-2033	357,372	23,434	380,806
2034-2037	295,685	6,348	302,033
Total	$ 997,300	$ 69,846	$ 1,067,146

NOTE 10 – LONG-TERM DEBT (Continued)

Kentucky Infrastructure Authority Loan F16-027

In July 2017, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. In January 2019, the District entered into a supplemental assistance agreement with KIA. The full amount of allowable funds is $4,000,000 at an interest rate of 1.75%. As of December 31, 2023, $1,558,034 has been received. Payments will not begin until one year after the initiation of operation of the project, and therefore a maturity date has not been determined.

Kentucky Infrastructure Authority Loan F20-044

In May 2020, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $8,000,000 at an interest rate of 1.50%. As of December 31, 2023, no funds have been drawn on this loan. Payments will not begin until one year after the initiation of operation of the project, and therefore a maturity date has not been determined.

Kentucky Infrastructure Authority Loan F23-007S

In October 2023, the District received a conditional commitment letter from the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $4,000,000 at an interest rate of 2.25%. The loan qualifies for principal forgiveness up to $1,598,681. As of December 31, 2023, no funds have been drawn on this loan as the loan requires the approval of the Public Service Commission and no formal agreement has been signed.

Events of Default: The District's outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the District is unable to make a payment at the times specified in the note agreements.

Collateral: The District's outstanding notes from direct borrowings are collateralized by future revenue.

NOTE 10 – LONG-TERM DEBT (Continued)

Changes in long-term liabilities are as follows:

	Debt Outstanding December 31, 2022	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31, 2023	Amounts Due Within 1 Year
Bond Indebtedness					
Rural Development Loan 91-03	$ 1,651,500	$ -	$ 28,500	$ 1,623,000	$ 29,500
Series 2013 A	20,055,000	-	880,000	19,175,000	925,000
Series 2013 A Bond Premium	778,648	-	50,235	728,413	50,235
Series 2013 B	10,055,000	-	1,500,000	8,555,000	1,570,000
Series 2013 B Bond Premium	686,023	-	119,309	566,714	119,308
Series 2014 B	3,745,000	-	485,000	3,260,000	495,000
Series 2014 B Bond Premium	589,575	-	84,225	505,350	84,225
Series 2016	28,380,000	-	2,685,000	25,695,000	2,715,000
Series 2016 Bond Premium	3,067,930	-	344,067	2,723,863	344,067
Series 2019	16,385,000	-	485,000	15,900,000	505,000
Series 2019 Bond Premium	940,260	-	43,397	896,863	43,397
Series 2020	19,945,000	-	1,165,000	18,780,000	1,225,000
Series 2020 Bond Premium	2,123,347	-	165,456	1,957,891	165,455
Series 2021	22,915,000	-	4,485,000	18,430,000	4,675,000
Series 2021 Bond Premium	1,946,058	-	476,586	1,469,472	476,586
Series 2023	-	17,615,000	-	17,615,000	385,000
Series 2023 Bond Premium	-	576,489	21,138	555,351	23,060
Total Bond Indebtedness	133,263,341	18,191,489	13,017,913	138,436,917	13,830,833
Bond Anticipation Notes					
Series 2021 A	24,685,000	-	24,685,000	-	-
Notes Payable - Direct Borrowings					
KIA Loan F08-07	2,099,669	-	200,668	1,899,001	202,680
KIA Loan F09-02	13,783,217	-	1,192,136	12,591,081	1,216,098
KIA Loan F13-012	4,523,000	-	-	4,523,000	-
KIA Loan F14-015	2,852,195	-	161,686	2,690,509	164,528
KIA Loan F15-011	2,843,495	-	161,193	2,682,302	164,026
KIA Loan B15-003	1,064,616	-	67,316	997,300	67,822
KIA Loan F16-027	1,558,034	-	-	1,558,034	-
Kenton County Fiscal Court	100,000	-	-	100,000	-
Total Notes Payable - Direct Borrowings	28,824,226	-	1,782,999	27,041,227	1,815,154
Subscription Liability	-	2,183,557	180,611	2,002,946	130,289
Arbitrage Liability	244,370	494,309	205,584	533,095	-
Compensated Absences	1,663,890	264,657	-	1,928,547	234,297
Total Long-Term Liabilities	$ 188,680,827	$ 21,134,012	$ 39,872,107	$ 169,942,732	$ 16,010,573

NOTE 11 – PENSION PLAN

General Information about the Pension Plan

Plan description: The District contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) administered by the Board of Trustees of the Kentucky Retirement System. The CERS system is comprised of two plans, CERS Nonhazardous plan and CERS Hazardous plan. CERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782. The plan covers all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. The District only participates in the Nonhazardous plan.

Benefits provided: These systems provide retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Tier 1: Retirement Eligibility for Members
Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members
Whose Participation Began On or After 09/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Tier 3: Retirement Eligibility for Members
Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

NOTE 11 – PENSION PLAN (Continued)

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor		X	Years of Service
Average of the five highest years of compensation if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.		

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.10%);* ***10 - 20 years*** *(1.30%);* ***20 - 26 years*** *(1.50%)* ***; 26 - 30 years*** *(1.75%)*

Benefit Formula for Tier 3

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity

Accumulate Account Balance				
Member Contributions	**Employer Contributions**	**Base Annual Interest**	**Upside Sharing Interest (FY 2023)**	**Actuarial Factor**
5.00%	4.00%	4.00%	5.89%	Various*

* See www.kyret.ky.gov for most recent Actuarial Factors

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a $5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit (requirement is waived if line of duty disability) and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the greater of 20% of member’s monthly final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the greater of 20% of the member’s monthly final rate of pay or the annuity computed as if eligible for unreduced retirement benefit, whichever is greater. Members disabled in the line of duty, or due to a duty-related injury, may be eligible for special benefits.

NOTE 11 – PENSION PLAN (Continued)

For pre-retirement death benefits, the beneficiary of a deceased active member is eligible for a monthly benefit if the member died while in the line of duty; or due to a duty-related injury; with one month of service credit. The beneficiary of a deceased active member who did not die in the line of duty is eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 65 with at least 60 months of service credit and was employed for a participating agency at the time of death or (3) no longer employed by a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment from the member's accumulated account balance.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill (SB) 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

House Bill (HB) 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payout equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option.

House Bill (HB) 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

Contributions: The employee contribution rate is set by state statute. Nonhazardous plan members who began participating prior to September 1, 2008 contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Plan members who began participating on, or after, September 1, 2008, are required to contribute a total of 6.00% for Nonhazardous of their annual creditable compensation. Further, 1.00% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Insurance Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Nonhazardous members contribute 5.00% of their monthly creditable compensation which is deposited into their account and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (Nonhazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitle to receive employee contributions (less HIC) plus interest (on employee contributions only).

NOTE 11 – PENSION PLAN (Continued)

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statutes 78.635. The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statutes 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky.

For the fiscal years ended June 30, 2024 and 2023, participating employers contributed 23.34% (23.34% pension fund and 0.00% insurance fund) and 26.79% (23.40% pension fund and 3.39% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund (excluding the insurance portion) from the District was $2,674,582 for the year ended December 31, 2023.

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

At December 31, 2023, the District reported a liability of $22,628,651 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2023, the District's proportion for the Nonhazardous system was 0.352663% which was an increase of 0.0111489% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2023, the District recognized pension benefit of $833,435. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan investments	$ -	$ 308,667
Difference Between Expected and Actual Experience	1,171,442	61,489
Changes of Assumptions	-	2,073,931
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	507,994	207,009
District Contributions After Measurement Date	1,321,498	-
Total	$ 3,000,934	$ 2,651,096

NOTE 11 – PENSION PLAN (Continued)

The $1,321,498 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 December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,		
2024	$	(633,702)
2025		(624,055)
2026		505,163
2027		(219,066)
Total	$	(971,660)

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

Valuation Date	June 30, 2022
Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Service
Investment Rate of Return	6.50%

The Board of Trustees, in consultation with the actuary, set the actuarial assumptions and methods used in the actuarial valuation. An experience study was conducted after the June 30, 2022 actuarial valuation and the Board adopted updated assumptions for use in this actuarial valuation. The updated assumptions include:

Demographic Assumptions:

- Post-retirement mortality rates were updated based on KPPA experience.
- Mortality improvement assumption was updated to the ultimate rates of the MP-2020 mortality improvement scale.
- Rates of termination prior to retirement were increased.
- Rates of disability incidence for the CERS funds were decreased.

Economic Assumptions:

- The rate of inflation increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by 0.20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the Nonhazardous funds.
- The individual rates of salary increase were increased during the selected period.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75%.

Pre-retirement mortality: PUB-2010 General Mortality Table for the Nonhazardous System projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Post-retirement mortality (non-disabled): System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

NOTE 11 – PENSION PLAN (Continued)

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

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

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

Discount rate: The single discount rate used to measure the total pension liability was 6.50%. The single discount rate was based on the expected rate of return on pension plan investments. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The assumed future employer contributions for the CERS plans reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12.00% over the prior fiscal year through June 30, 2028.

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

	1% Decrease	Current Discount Rate	1% Increase
Non-Hazardous	$ 28,570,039	$ 22,628,651	$ 17,691,134

NOTE 11 – PENSION PLAN (Continued)

Other Information about the Pension Plan

Payable to the pension plan: At December 31, 2023, the District reported a payable of $254,792 for the outstanding amount of contributions to the pension plan required for the years ended

December 31, 2023.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA website at www.kyret.ky.gov.

401(k) Plan and 457 Plan: The District also permits employees to participate in a voluntary 401(k) or 457 plan. There is no employer match.

NOTE 12 – OPEB PLAN

General Information about the OPEB Plan

Plan description: The District contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) administered by the Board of Trustees of the Kentucky Retirement System. The CERS system is comprised of two plans, CERS Nonhazardous plan and CERS Hazardous plan. CERS is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782. The plan covers all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. The District only participates in the Nonhazardous plan.

Benefits provided: The Kentucky Retirement System Insurance Trust Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The KPPA Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KPPA submits the premium payments to DEI and Humana. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service. Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, Nonhazardous 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. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The Insurance Plan pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

NOTE 12 – OPEB PLAN (Continued)

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
Less Than 4 Years	0.00%

Contributions: The employee contribution rate is set by state statute. Nonhazardous plan members who began participating prior to September 1, 2008 contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Plan members who began participating on, or after, September 1, 2008, are required to contribute a total of 6.00% for Nonhazardous of their annual creditable compensation. Further, 1.00% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Insurance Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Nonhazardous members contribute 5.00% of their monthly creditable compensation which is deposited into their account and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (Nonhazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitle to receive employee contributions (less HIC) plus interest (on employee contributions only).

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statutes 78.635. The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statutes 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky.

For the fiscal years ended June 30, 2024 and 2023, participating employers contributed 23.34% (23.34% pension fund and 0.00% insurance fund) and 26.79% (23.40% pension fund and 3.39% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund (excluding the pension portion) from the District was $377,545 for the years ended December 31, 2023.

NOTE 12 – OPEB PLAN (Continued)

OPEB Asset, 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 $486,892 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022. The total OPEB asset was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2023, using generally accepted actuarial principles. The District's proportion of the net OPEB asset was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2023, the District's proportion for the Nonhazardous system was 0.352650%, which was an increase of 0.011494% from its proportion measured as of December 31, 2022.

For the year ended December 31, 2023, the District recognized OPEB benefit of $1,183,512. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ -	$ 112,999
Difference Between Expected and Actual Experience	339,438	6,913,383
Changes of Assumptions	958,170	667,748
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	333,645	144,251
Total	$ 1,631,253	$ 7,838,381

There are no deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,	
2024	$ (1,478,252)
2025	(1,920,393)
2026	(1,513,951)
2027	(1,294,532)
Total	$ (6,207,128)

NOTE 12 – OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB asset in the June 30, 2023 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Service
Investment Rate of Return	6.50%
Healthcare Cost Trend Rates (Non-Medicare Plans)	Initial trend starting at 6.80% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Medicare Plans)	Initial trend starting at 8.50% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Dollar Contribution)	1.50%

The Board of Trustees, in consultation with the actuary, set the actuarial assumptions and methods used in the actuarial valuation. An experience study was conducted after the June 30, 2022 actuarial valuation and the Board adopted updated assumptions for use in this actuarial valuation. The updated assumptions include:

Demographic Assumptions:

- Post-retirement mortality rates were updated based on KPPA experience.
- Mortality improvement assumption was updated to the ultimate rates of the MP-2020 mortality improvement scale.
- Rates of termination prior to retirement were increased.
- Rates of disability incidence for the CERS funds were decreased.

Economic Assumptions:

- The rate of inflation increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by 0.20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the Nonhazardous funds.
- The individual rates of salary increase were increased during the selected period.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75%.

Pre-retirement mortality: PUB-2010 General Mortality Table for the Nonhazardous System projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Post-retirement mortality (non-disabled): System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

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

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real 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.

NOTE 12 – OPEB PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate: The single discount rate used to measure the total OPEB asset was 5.93% for Nonhazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The 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.

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

	1% Decrease	Current Discount	1% Increase
Non-Hazardous	$ 913,710	$ (486,892)	$ (1,659,726)

NOTE 12 – OPEB PLAN (Continued)

Sensitivity of the District's proportionate share of the net OPEB asset to changes in the healthcare cost trend rates: The following present's the District's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-Hazardous	$ (1,560,574)	$ (486,892)	$ 832,025

Other Information about the OPEB Plan

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA website at www.kyret.ky.gov.

NOTE 13 – ECONOMIC DEPENDENCY

The District receives the majority of its operating revenues from customers in Kenton, Campbell, Boone, and Pendleton counties of Kentucky.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 19, 2024, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2023

County Employees Retirement System
Last 10 Calendar Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability - Non-Hazardous	0.352663%	0.341174%	0.351637%	0.339709%	0.330854%	0.312275%	0.320590%	0.335200%	0.344120%	0.333600%
Total District's Proportionate Share of the Net Pension Liability	$ 22,628,651	$ 24,663,515	$ 22,419,617	$ 26,055,399	$ 23,269,110	$ 19,018,499	$ 18,765,118	$ 16,504,154	$ 14,819,690	$ 11,002,199
District's Covered Payroll	$ 9,811,881	$ 9,357,873	$ 8,930,918	$ 8,757,359	$ 8,040,890	$ 7,732,260	$ 7,925,067	$ 7,972,340	$ 7,931,952	7,931,952
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	230.63%	263.56%	251.03%	297.53%	289.38%	245.96%	236.78%	207.02%	186.84%	138.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
DECEMBER 31, 2023

County Employees Retirement System
Last 10 Calendar Years

Non-Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 2,297,036	$ 2,231,101	$ 1,875,015	$ 1,723,667	$ 1,557,127	$ 1,230,042	$ 1,099,103	$ 1,045,628	$ 1,429,517	$ 1,483,609
Contributions in Relation to the Contractually Required Contribution	(2,297,036)	(2,231,101)	(1,875,015)	(1,723,667)	(1,557,127)	(1,230,042)	(1,099,103)	(1,045,628)	(1,429,517)	(1,483,609)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 10,713,317	$ 9,811,881	$ 9,357,873	$ 8,930,918	$ 8,757,359	$ 8,040,890	$ 7,732,260	$ 7,925,067	$ 7,972,340	$ 7,931,952
Contributions as a Percentage of Covered Payroll	21.44%	22.74%	20.04%	19.30%	17.78%	15.30%	14.21%	13.19%	17.93%	18.70%

NOTE 1 - ACTUARIAL ASSUMPTIONS

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

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Pay
Remaining 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*
Payroll Growth Rate:	2.00%
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The retiree mortality is 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.

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
DECEMBER 31, 2023

County Employees Retirement System
Last 10 Calendar Years*

	2023	2022	2021	2020	2019	2018	2017	2016
District's Proportion of the Net OPEB Liability - Non-Hazardous	0.352650%	0.341156%	0.351554%	0.339610%	0.330768%	0.312275%	0.320590%	0.335200%
Total District's Proportionate Share of the Net OPEB (Asset) Liability	$ (486,892)	$ 6,732,760	$ 6,730,325	$ 8,200,549	$ 5,563,369	$ 5,544,345	$ 6,444,956	$ 5,055,231
District's Covered Payroll	$ 9,811,881	$ 9,357,873	$ 8,930,918	$ 8,757,359	$ 8,040,890	$ 7,732,260	$ 7,925,067	$ 7,972,340
District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered Payroll	-4.96%	71.95%	75.36%	93.64%	69.19%	71.70%	81.32%	63.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability - Non-Hazardous	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%	55.24%

** Only eight years of information available. Additional years' information will be displayed as it becomes available.*

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
DECEMBER 31, 2023

County Employees Retirement System
Last 10 Calendar Years*

Non-Hazardous	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 377,545	$ 363,290	$ 489,371	$ 425,112	$ 438,448	$ 399,058	$ 364,575	$ 371,330
Contributions in Relation to the Contractually Required Contribution	(377,545)	(363,290)	(489,371)	(425,112)	(438,448)	(399,058)	(364,575)	(371,330)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 10,713,317	$ 9,811,881	$ 9,357,873	$ 8,930,918	$ 8,757,359	$ 8,040,890	$ 7,732,260	$ 7,925,067
Contributions as a Percentage of Covered Payroll	3.52%	3.70%	5.23%	4.76%	5.01%	4.96%	4.71%	4.69%

** Only eight years of information available. Additional years' information will be displayed as it becomes available.*

NORTHERN KENTUCKY WATER DISTRICT
NOTES TO SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
DECEMBER 31, 2023

NOTE 1 – ACTUARIAL ASSUMPTIONS

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

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Pay
Remaining 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*
Payroll Growth:	2.00%
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Return:	6.25%
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. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65:	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

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

OTHER SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	$ 61,738,191	$ 65,724,504	$ 3,986,313
Forfeited Discounts	838,100	999,074	160,974
Rents From Property	398,100	360,644	(37,456)
Other Water Revenues	449,557	317,408	(132,149)
Total Operating Revenues	63,423,948	67,401,630	3,977,682
Operating Expenses			
Operation and Maintenance Expense	39,268,055	36,646,138	2,621,917
Depreciation Expense	12,360,000	12,898,754	(538,754)
Total Operating Expenses	51,628,055	49,544,892	2,083,163
Net Operating Income	11,795,893	17,856,738	6,060,845
Non-Operating Income (Expense)			
Investment Income	1,200,000	4,511,645	3,311,645
Miscellaneous Non-Operating Income	1,120,200	280,079	(840,121)
Loss on Abandonment of Mains	-	(230,982)	(230,982)
Interest on Long-Term Debt	(5,680,078)	(5,115,954)	564,124
Amortization of Debt Premiums and Defeasance Costs	-	1,568,865	1,568,865
Bond Issuance Costs	-	(308,753)	(308,753)
Pension Expense	-	833,435	833,435
Other Post Employment Benefit Expense	-	1,183,512	1,183,512
Arbitrage Expense	-	(494,309)	(494,309)
Gain on Sale of Capital Assets	-	49,833	49,833
Total Non-Operating Expense	(3,359,878)	2,277,371	5,637,249
Change in Net Position Before Capital Contributions	8,436,015	20,134,109	11,698,094
Capital Contributions	-	1,854,294	1,854,294
Change in Net Position	$ 8,436,015	$ 21,988,403	$ 13,552,388

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF WATER OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2023

Operating Revenues		
Metered Sales		
Sales to Residential Customers	$	39,995,664
Sales to Commercial Customers		9,497,157
Sales to Industrial Customers		4,914,944
Sales to Public Authorities		2,423,262
Sales to Multiple Family Dwellings		6,598,070
Sales Through Bulk Loading Stations		92,929
Total Metered Sales		63,522,026
Fire Protection Revenue		83,921
Sales For Resale		2,118,557
Total Sales of Water		65,724,504
Other Revenue		1,677,126
Total Operating Revenues	$	67,401,630

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF COMBINED OPERATION AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2023

Operating and Maintenance Expenses	
Salaries and Wages	$ 11,182,923
Employee Pensions and Benefits	6,280,936
Taxes Other Than Income Taxes	853,025
Purchased Power	3,348,684
Chemicals	4,617,618
Materials and Supplies	2,615,097
Contractual Services	4,960,984
Transportation Expenses	786,062
Insurance	748,413
Bad Debt Expense	779,792
Subscription Interest Expense	85,168
Miscellaneous Expense	292,457
Regulatory Commission Assessment	94,979
Total Operating and Maintenance Expenses	$ 36,646,138

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF INSURANCE COVERAGES
December 31, 2023

Company	Policy Number	Description of Coverage		Amount of Coverage	Effective Period From	Effective Period To
Travelers Insurance	ZLP-14T80653	General Liability	$	1,000,000	1/1/2023	1/1/2024
Travelers Insurance	ZUP14T80665	Umbrella	$	19,000,000	1/1/2023	1/1/2024
Travelers Insurance	ZLP14T80653	Public Officials	$	1,000,000	1/1/2023	1/1/2024
Travelers Insurance	H-810-6R989070	Business Auto	$	1,000,000	1/1/2023	1/1/2024
Travelers Insurance	H-630-6R989070	Property-Including Equipment	$	330,787,767	1/1/2023	1/1/2024
Travelers Insurance	107733627	Employee Dishonesty	$	2,000,000	11/9/2022	11/9/2023
Coalition Insurance	C-4LRU-169579-CYBER-2023	Cyber Liability	$	2,000,000	1/1/2023	1/1/2024
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	$	1,000,000	7/1/2022	7/1/2023
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	$	1,000,000	7/1/2023	7/1/2024
Zurich American Insurance Company	WC9668494-11	Worker's Compensation - LA & TX	$	1,000,000	7/1/2022	7/1/2023
Zurich American Insurance Company	WC9668494-11	Worker's Compensation - LA & TX	$	1,000,000	7/1/2023	7/1/2024
Great American Insurance	PRE109374203	Pollution Liability	$	15,000,000	1/1/2022	1/1/2025

RETAIL WATER RATES

1. Monthly Service Rate

First	1,500 Cubic Feet	$5.15 per 100 Cubic Feet
Next	163,500 Cubic Feet	$4.79 per 100 Cubic Feet
Over	165,000 Cubic Feet	$3.54 per 100 Cubic Feet

Sub District B shall be assessed a monthly surcharge in the amount of	$	11.71
Sub District C shall be assessed a monthly surcharge in the amount of	$	10.79
Sub District D shall be assessed a monthly surcharge in the amount of	$	28.32
Sub District E shall be assessed a monthly surcharge in the amount of	$	28.59
Sub District F shall be assessed a monthly surcharge in the amount of	$	12.69
Sub District G shall be assessed a monthly surcharge in the amount of	$	18.68
Sub District H shall be assessed a monthly surcharge in the amount of	$	30.00
Sub District I shall be assessed a monthly surcharge in the amount of	$	25.71
Sub District K shall be assessed a monthly surcharge in the amount of	$	6.33
Sub District M shall be assessed a monthly surcharge in the amount of	$	30.00
Sub District RF shall be assessed a monthly surcharge in the amount of	$	20.97

2. Quarterly Rates

First	4,500 Cubic Feet	$5.15 per 100 Cubic Feet
Next	490,500 Cubic Feet	$4.79 per 100 Cubic Feet
Next	495,000 Cubic Feet	$3.54 per 100 Cubic Feet

3. Fixed Service Charge

Meter Size	Monthly		Quarterly	
5/8”	$	19.50	$	42.85
3/4”	$	20.00	$	44.95
1”	$	21.90	$	51.65
1½”	$	24.70	$	61.05
2”	$	31.20	$	85.60
3”	$	75.10	$	266.40
4”	$	94.20	$	333.80
6”	$	139.40	$	493.25
8”	$	188.20	$	674.05
10” and Larger	$	250.40	$	880.15

WHOLESALE WATER RATES

Wholesale Rate	$3.21 per 100 Cubic Foot

MISCELLANEOUS SERVICE FEES

<u>Service Area Non-Recurring Charges</u>

Returned Check Charge	$	5.00	
Water Hauling Station	$	6.89	/ per 1,000 Gallons
Service	$	4.00	
Overtime Charge	$	49.00	

NORTHERN KENTUCKY WATER DISTRICT
MEMBERS OF THE COMMISSION AND ADMINISTRATIVE STAFF
DECEMBER 31, 2023

COMMISSIONERS	TITLE	TERM EXPIRES
Joseph J. Koester	Chair	July 31, 2024
Fred A. Macke, Jr.	Vice-Chair	August 26, 2024
Douglas C. Wagner, CDT	Treasurer	August 26, 2025
Jody R. Lange, CPA, CGMA	Secretary	August 28, 2027
Gary E. Holland		August 28, 2027
Nicholas E. Winnike		August 28, 2025

ADMINISTRATIVE STAFF	TITLE
Lindsey Rechtin, CPA	President/CEO
Stacey Kampsen, CPA	Vice President of Finance and Support Services
Amy Stoffer, PE	Vice President of Engineering, Production, and Water Quality

REQUIRED REGULATORY INFORMATION

DEANDORTON

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Northern Kentucky Water District
Erlanger, 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 Northern Kentucky Water District (the District) as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Northern Kentucky Water District's basic financial statements, and have issued our report thereon dated September 19, 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 in financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of 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 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dorton Allen Ford, PLLC

Fort Wright, Kentucky
September 19, 2024