

Western Pulaski County Water District

Financial Statements

December 31, 2023 and 2022

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ■ R. Brent Billingsley, CPA ■ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ■ L. Joe Rutledge, CPA ■ Jenna B. Glass, CPA ■ Jordan T. Constant, CPA ■ Lane S. Norris, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Pulaski County Water District
Somerset, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Western Pulaski County Water District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Western Pulaski County Water District as of December 31, 2023 and 2022 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Western Pulaski County 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Western Pulaski County 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Western Pulaski County 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 Western Pulaski County 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 Management's Discussion and Analysis on pages 4-6 and the Pension and OPEB Liability Schedules on pages 28-31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Statement of Revenues, Expenses and Change in Net Position – Budget and Actual is presented for purposes of additional analysis and is 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 Statements of Revenues, Expenses and Change in Net Position – Budget and Actual and the schedule of expenditures of federal awards are 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 May 21, 2024 on our consideration of the Western Pulaski County 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 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 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 Western Pulaski County Water District's internal control over financial reporting and compliance.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

May 21, 2024

WESTERN PULASKI COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Western Pulaski County Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal year ending December 31, 2023. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

For the year ended December 31, 2023 total operating and non-operating revenues (including capital contributions) were \$4,640,211 an increase of \$935,951 from prior year, primarily due to a rate increase and increased grant revenue.

Total operating and non-operating expenses amounted to \$4,347,686 for the year ended December 31, 2023, an increase of \$370,223, attributable mostly to an increase in water purchases and salaries and benefits.

Total assets and deferred outflows increased by \$3,624,602, and total liabilities and deferred inflows increased by \$3,332,077. These changes resulted in an increase in net position of \$292,525.

Overview of the Financial Statements

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The financial statements include notes which explain in detail some of the information included in the financial statements.

Required Financial Statements

The financial statements of Western Pulaski County Water District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of Western Pulaski County Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluation of the capital structure of Western Pulaski County Water District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of Western Pulaski County Water District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

**WESTERN PULASKI COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Western Pulaski County Water District
Summary of Net Position
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Total Current Assets	\$ 2,574,433	\$ 2,230,945
Total Restricted Assets	1,069,957	1,035,342
Net Capital Assets	<u>23,608,132</u>	<u>20,467,127</u>
Total Assets	<u>27,252,522</u>	<u>23,733,414</u>
Deferred Outflows	<u>681,149</u>	<u>575,655</u>
Liabilities		
Total Current Liabilities	1,463,853	2,027,886
Total Long-term Liabilities	<u>15,285,217</u>	<u>11,363,015</u>
Total Liabilities	<u>16,749,070</u>	<u>13,390,901</u>
Deferred Inflows	<u>384,271</u>	<u>410,363</u>
Net Position		
Invested in capital assets, net of related debt	9,853,674	9,431,438
Restricted for equipment replacement	260,450	514,890
Restricted for debt retirement	643,249	520,452
Restricted for water loss reduction	166,258	-
Unrestricted	<u>(123,301)</u>	<u>41,025</u>
Total Net Position	<u>\$ 10,800,330</u>	<u>\$ 10,507,805</u>

The largest portion (91%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding.

Restricted net position (9%) represents resources that are subject to external restrictions on how they may be used.

The balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers and creditors.

**WESTERN PULASKI COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Changes in Net Position
For the Year Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Total operating revenues	\$ 4,083,161	\$ 3,537,999
Total operating expenses	<u>3,892,391</u>	<u>3,735,629</u>
Operating income (loss)	190,770	(197,630)
Total non-operating revenue (expense)	<u>(423,923)</u>	<u>(222,130)</u>
Income before capital contributions	(233,153)	(419,760)
Capital contributions	<u>525,678</u>	<u>146,557</u>
Increase (decrease) in net position	292,525	(273,203)
Net position, beginning of year	<u>10,507,805</u>	<u>10,781,008</u>
Net position, end of year	<u>\$ 10,800,330</u>	<u>\$ 10,507,805</u>

Net position increased by \$292,525 from the prior year.

Capital Asset Changes

At December 31, 2023, the District had invested \$23,608,132 in capital assets net of accumulated depreciation. This amount represents a net increase of \$3,141,005 from the previous year due to construction projects in Oak Hill, Lees Ford, Fishing Creek and Faubush/Nancy Areas.

Budgetary Highlights

The Western Pulaski County Water District adopts an annual operating budget after careful considerations of prior year and anticipated current year operations. The operating budget includes proposed expenses and the means to finance them. The District's operating budget remains in effect the entire year and is not revised. A budgetary comparison and analysis is presented on page 32 of this report.

Debt Administration

At December 31, 2023, the District had \$13,695,563 in outstanding debt, an increase of \$3,555,619 from the prior year. The District incurred \$414,709 in interest expense associated with long term debt.

Request for Information

This financial report is designed to provide our customers and creditors with a general overview of Western Pulaski County Water District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Western Pulaski County Water District at 2128 West Highway 80, Somerset, KY or by phone (606) 679-1569.

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 1,651,299	\$ 1,616,486
Accounts receivable	452,327	373,971
Grant receivable	237,296	-
Prepaid assets	821	7,798
Inventory	<u>232,690</u>	<u>232,690</u>
Total Current Assets	<u>2,574,433</u>	<u>2,230,945</u>
Non-current Assets		
Restricted Assets		
Cash - Surcharge fund	166,258	-
Cash - Depreciation fund	260,450	514,890
Cash - Bond and interest	<u>643,249</u>	<u>520,452</u>
Total Restricted Assets	<u>1,069,957</u>	<u>1,035,342</u>
Capital Assets		
Construction in progress	4,266,339	1,332,389
Land and land rights	331,066	494,938
Utility plant in service	29,329,787	28,519,173
Equipment	902,943	797,658
Accumulated depreciation	<u>(11,222,003)</u>	<u>(10,677,031)</u>
Net Capital Assets	<u>23,608,132</u>	<u>20,467,127</u>
Total Non-current Assets	<u>24,678,089</u>	<u>21,502,469</u>
Total Assets	<u>27,252,522</u>	<u>23,733,414</u>
Deferred Outflows		
Outflows relating to net pension and OPEB liabilities	<u>681,149</u>	<u>575,655</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Net Position, Concluded
December 31, 2023 and 2022

Liabilities	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 248,083	\$ 273,237
Construction accounts payable	296,191	895,745
Customer deposits	315,035	280,669
Accrued liabilities	38,782	45,826
Accrued interest	102,553	80,542
Current maturities of long-term debt	463,209	451,867
Total Current Liabilities	1,463,853	2,027,886
Long-term Liabilities		
Customer advances for construction	125,806	65,780
Accrued compensated absences	42,367	34,422
Long-term debt, less current maturities	13,232,354	9,688,077
Net OPEB liability	404,116	363,592
Net pension liability	1,480,574	1,211,144
Total Long-term Liabilities	15,285,217	11,363,015
Total Liabilities	16,749,070	13,390,901
Deferred Inflows		
Inflows relating to net pension and OPEB liabilities	384,271	410,363
Net Position		
Net Position		
Invested in capital assets, net of related debt	9,853,674	9,431,438
Restricted for equipment replacement	260,450	514,890
Restricted for debt retirement	643,249	520,452
Restricted for water loss reduction	166,258	-
Unrestricted	(123,301)	41,025
Total Net Position	\$ 10,800,330	\$ 10,507,805

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Residential water sales	\$ 3,493,987	\$ 3,184,765
Commercial water sales	326,248	227,278
Miscellaneous service revenues	<u>262,926</u>	<u>125,956</u>
Total operating revenues	<u>4,083,161</u>	<u>3,537,999</u>
Operating expenses:		
Water purchases	1,478,653	1,420,890
Utilities	98,150	113,864
Transmission and distribution expense	20,148	120,938
Meter readers	74,924	89,005
Office expense	70,933	92,272
Transportation expenses	73,766	48,185
Insurance	99,874	60,762
Directors' fees	12,000	12,000
Employees' salaries and wages	727,324	600,881
Employees' pensions and benefits	293,040	249,500
Actuarial pension and OPEB expense	178,368	161,618
Payroll taxes	50,303	51,467
Depreciation and amortization	599,422	584,358
PSC tax assessment	4,606	5,289
Professional fees	65,207	58,226
Bad debts	9,457	12,586
Miscellaneous	<u>36,216</u>	<u>53,788</u>
Total operating expenses	<u>3,892,391</u>	<u>3,735,629</u>
Operating income (loss)	<u>190,770</u>	<u>(197,630)</u>
Non-operating revenue (expenses):		
Rents from water property	-	6,665
Gain (Loss) on sale of property	(40,586)	-
Interest income	31,372	13,039
Interest expense on long-term debt	<u>(414,709)</u>	<u>(241,834)</u>
Total non-operating revenue (expenses)	<u>(423,923)</u>	<u>(222,130)</u>
Income/(loss) before capital contributions	<u>(233,153)</u>	<u>(419,760)</u>
Capital contributions		
Grant revenue	310,596	-
Tap fees	<u>215,082</u>	<u>146,557</u>
Total capital contributions	<u>525,678</u>	<u>146,557</u>
Increase (decrease) in net position	292,525	(273,203)
Net position:		
Beginning of year	<u>10,507,805</u>	<u>10,781,008</u>
End of year	<u>\$ 10,800,330</u>	<u>\$ 10,507,805</u>

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

WESTERN PULASKI COUNTY WATER DISTRICT
Statement of Cash Flows
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,039,171	\$ 3,551,550
Cash payments to suppliers for goods and services	(2,107,458)	(2,262,942)
Cash payments to employees for services	(1,024,419)	(865,386)
Net cash provided by (used) in operating activities	<u>907,294</u>	<u>423,222</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(474,864)	(310,163)
Proceeds from debt	4,030,483	559,027
Interest paid on long-term debt	(392,698)	(184,177)
Proceeds from sale of property	123,286	-
Additions to capital assets	(3,904,299)	(2,122,004)
Increase (decrease) in construction payable	(599,554)	796,161
Increase (decrease) in customer advances	60,026	65,780
Grant proceeds	73,300	-
Tap fees	215,082	146,557
Net cash provided by (used) in financing activities	<u>(869,238)</u>	<u>(1,048,819)</u>
Cash flows from investing activities:		
Rental income	-	6,665
Interest income	31,372	13,039
Net cash provided by (used) in investing activities	<u>31,372</u>	<u>19,704</u>
Net increase (decrease) in cash and cash equivalents	69,428	(605,893)
Cash and cash equivalents, beginning of year	<u>2,651,828</u>	<u>3,257,721</u>
Cash and cash equivalents, end of year	<u>\$ 2,721,256</u>	<u>\$ 2,651,828</u>
Reconciliation of operating income to		
net cash provided by operating activities:		
Operating income (loss)	\$ 190,770	\$ (197,630)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	599,422	584,358
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(78,356)	10,780
(Increase) decrease in prepaid assets	6,977	-
(Increase) decrease in inventory	-	(163,922)
Increase (decrease) in actuarial pension/OPEB	178,368	161,618
Increase (decrease) in accounts payable	(25,154)	15,904
Increase (decrease) in customer deposits	34,366	2,771
Increase (decrease) in accrued liabilities	901	9,343
Net cash provided (used) by operating activities	<u>\$ 907,294</u>	<u>\$ 423,222</u>

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

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Description of Entity and Summary of Significant Accounting Policies

Organization

The Western Pulaski County Water District was organized under KRS 74.010 to provide water service to the residents of Western Pulaski County. The District's commissioners are appointed by the Pulaski County Judge-Executive.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Western Pulaski County.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The District adopted the provisions of Governmental Accounting Standards Board (GASB) No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components: (i) invested in capital position, net of related debt, (ii) restricted, and (iii) unrestricted.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued

These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Restricted Funds

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.

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2023 or 2022. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ending December 31, 2023 and 2022 was \$599,422 and \$584,358 respectively.

The estimated useful lives of capital assets are as follows:

Transmission and Distributor	62.5 years
Distribution Reservoirs	45 years
Meter Installs and Services	40 years
Structures and Improvements	38 years
Pumping Equipment	20 years
Vehicles and Equipment	10 years

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value. The District has adopted no formal investment policy.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position.

Inventory

Inventory is valued at lower of cost or net realizable value, using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the years ended December 31, 2023 and 2022 the District had complied with this requirement.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation Fund

The ordinances authorizing the various bond and loan issues of the District require annual transfers into a depreciation fund until the maximum requirement of \$535,740 is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2023 and 2022 the District had complied with this requirement.

Compensated Absences

Full time employees with 1-3 years of service receive 1 week of paid vacation, 4-6 years, 2 weeks of vacation, 7-10 years, 3 weeks of vacation and 11 years or more, 4 weeks. Unused vacation time may be carried over from one calendar year to another with a maximum of 4 weeks accrued. Upon retirement or termination, employees are compensated for any currently accrued vacation pay.

Leases:

GASB Statement No. 87 (Leases) enhances the relevance and consistency of information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable. For the year ended December 31, 2023, the District had no qualifying leases to report.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Capital Assets

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

<u>2023</u>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 494,938	\$ -	\$ (163,872)	\$ 331,066
Construction in progress	1,332,389	3,540,665	(606,715)	4,266,339
<i>Total Non-Depreciable Capital Assets</i>	<u>1,827,327</u>	<u>3,540,665</u>	<u>(770,587)</u>	<u>4,597,405</u>
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	9,481,326	563,011	-	10,044,337
Line extensions	11,522,765	-	-	11,522,765
Meter installations	3,698,001	302,053	(54,450)	3,945,604
Services	568,482	-	-	568,482
Communication radios	9,106	-	-	9,106
Office equipment	223,590	-	-	223,590
Equipment and tools	107,831	65,738	-	173,569
Office building	255,572	-	-	255,572
Buildings	227,695	-	-	227,695
Distribution reservoir	1,262,945	-	-	1,262,945
Hydrants	20,147	-	-	20,147
Electric pumping equipment	1,482,240	-	-	1,482,240
Vehicles	457,131	39,547	-	496,678
<i>Total Depreciable Capital Assets</i>	<u>29,316,831</u>	<u>970,349</u>	<u>(54,450)</u>	<u>30,232,730</u>
Less: Accumulated depreciation	<u>(10,677,031)</u>	<u>(599,422)</u>	<u>54,450</u>	<u>(11,222,003)</u>
Total Net Capital Assets	<u>\$ 20,467,127</u>			<u>\$ 23,608,132</u>

<u>2022</u>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 494,938	\$ -	\$ -	\$ 494,938
Construction in progress	19,232	1,546,682	(233,525)	1,332,389
<i>Total Non-Depreciable Capital Assets</i>	<u>514,170</u>	<u>1,546,682</u>	<u>(233,525)</u>	<u>1,827,327</u>
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	10,168,004	233,525	(920,203)	9,481,326
Line extensions	11,522,765	-	-	11,522,765
Meter installations	3,236,474	559,477	(97,950)	3,698,001
Services	568,482	-	-	568,482
Communication radios	9,106	-	-	9,106
Office equipment	223,590	-	-	223,590
Equipment and tools	91,986	15,845	-	107,831
Office building	255,572	-	-	255,572
Buildings	227,695	-	-	227,695
Distribution reservoir	1,262,945	-	-	1,262,945
Hydrants	20,147	-	-	20,147
Electric pumping equipment	1,513,042	-	(30,802)	1,482,240
Vehicles	457,131	-	-	457,131
<i>Total Depreciable Capital Assets</i>	<u>29,556,939</u>	<u>808,847</u>	<u>(1,048,955)</u>	<u>29,316,831</u>
Less: Accumulated depreciation	<u>(11,141,628)</u>	<u>(584,358)</u>	<u>1,048,955</u>	<u>(10,677,031)</u>
Total Net Capital Assets	<u>\$ 18,929,481</u>			<u>\$ 20,467,127</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Long-Term Debt

Long-term debt consists of the following bonds payable at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Series 2002A Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$900,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	\$ 628,000	\$ 649,000
Series 2002B Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$550,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	381,000	394,000
Series 2010 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$911,000; due in annual installments on January 1, through 2049; interest rate of 2.25% due semi-annually on January 1 and July 1.	715,000	734,000
Series 2012E Water Revenue Bonds issued through Kentucky Rural Water Finance Corporation in the amount of \$2,080,000; (to refund Series 2001A and 2001B revenue bonds) due in annual installments on July 1, through 2035; interest rate of 2.2 - 3.7% due semi-annually on January 1 and July 1.	760,000	900,000
Series 2013 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$1,400,000; due in annual installments on January 1, through 2053; interest rate of 2.25% due semi-annually on January 1 and July 1.	1,195,000	1,222,500
Series 2018 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$2,225,000; due in annual installments on January 1, through 2057; interest rate of 2.50% due semi-annually on January 1 and July 1.	<u>2,076,500</u>	<u>2,115,000</u>
Total Bonds Payable:	<u>\$ 5,755,500</u>	<u>\$ 6,014,500</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Long-Term Debt, Continued

Long-term debt consists of the following notes not yet finalized at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
KIA B20-004 Loan issued through Kentucky Infrastructure Authority for Water System Improvements project not to exceed \$1,146,000; interest of 1.50% due monthly succeeding date of initial draw of funds. A loan servicing fee of .20% of the annual outstanding balance shall be payable as part of each interest payment. Principal payments are due June 1 and December 1 beginning December 2021.	\$ 1,033,760	\$ 997,048
KIA F16-003 Loan issued through Kentucky Infrastructure Authority of the Federally Assisted Drinking Water Revolving Loan Fund for Water System Improvements project not to exceed \$3,304,000; interest of 1.75% due monthly succeeding date of initial draw of funds. A loan servicing fee of .25% of the annual outstanding balance shall be payable as part of each interest payment. Principal payments due June 1 and December 1 beginning June 2022.	3,032,427	3,128,396
Citizens National Bank issued interim financing for the Water System Improvements project not to exceed \$4,472,000; interest of 6.95% due monthly succeeding date of initial draw of funds. The loan was refinanced with USDA Rural Development Revenue Bonds in February 2024.	<u>3,873,876</u>	<u>-</u>
Total Notes Payable:	<u>\$ 7,940,063</u>	<u>\$ 4,125,444</u>

Principal and interest maturities of long-term debt (excluding interim financing) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 463,209	\$ 241,153	\$ 704,362
2025	481,535	229,029	710,564
2026	371,918	216,406	588,324
2027	380,859	207,278	588,137
2028	388,357	197,917	586,274
2029-2033	2,096,379	839,412	2,935,791
2034-2038	2,188,680	565,502	2,754,182
2039-2043	1,684,750	302,679	1,987,429
2044-2048	745,500	168,864	914,364
2049-2053	677,500	82,619	760,119
2054-2057	343,000	17,364	360,364
	<u>\$ 9,821,687</u>	<u>\$ 3,068,223</u>	<u>\$12,889,910</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Long-Term Debt, Concluded

Long-term debt activity for the years ended December 31, 2023 and 2022 was as follows:

Debt	Balance January 1, 2023	Additions	Debt Payments and Reductions	Balance December 31, 2023	Amount Due within One Year
RD 2002A	\$ 649,000	\$ -	\$ (21,000)	\$ 628,000	\$ (21,000)
RD 2002B	394,000	-	(13,000)	381,000	(13,000)
RD 2010	734,000	-	(19,000)	715,000	(19,500)
KRWFC 2012E	900,000	-	(140,000)	760,000	(145,000)
RD 2013	1,222,500	-	(27,500)	1,195,000	(28,500)
KIA F16-003	3,128,396	45,647	(141,616)	3,032,427	(144,686)
RD 2018	2,115,000	-	(38,500)	2,076,500	(39,500)
KIA B20-004	997,048	87,988	(51,276)	1,033,760	(52,023)
CNB-Interim Financing	-	3,896,848	(22,972)	3,873,876	-
	<u>\$ 10,139,944</u>	<u>\$ 4,030,483</u>	<u>\$ (474,864)</u>	<u>\$ 13,695,563</u>	<u>\$ (463,209)</u>

Debt	Balance January 1, 2022	Additions	Debt Payments and Reductions	Balance December 31, 2022	Amount Due within One Year
RD 2002A	\$ 649,000	\$ -	\$ -	\$ 649,000	\$ (21,000)
RD 2002B	394,000	-	-	394,000	(13,000)
RD 2010	734,000	-	-	734,000	(19,000)
KRWFC 2012E	1,040,000	-	(140,000)	900,000	(140,000)
RD 2013	1,222,500	-	-	1,222,500	(27,500)
KIA F16-003	2,897,348	361,005	(129,957)	3,128,396	(141,616)
RD 2018	2,115,000	-	-	2,115,000	(38,500)
KIA B20-004	839,232	198,022	(40,206)	997,048	(51,251)
	<u>\$ 9,891,080</u>	<u>\$ 559,027</u>	<u>\$ (310,163)</u>	<u>\$ 10,139,944</u>	<u>\$ (451,867)</u>

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The District performed calculations of excess investment earnings on various bonds and at December 31, 2022 and does not expect to incur a liability.

Note 4 – Commitments

The Water System Improvements and Replacements Project began in 2017. During 2023 the District continued Phase III of the project with work to finish at Fishing Creek Area as of year end. The USDA Rural Development approved bonds of \$4,472,000 and grant funds in the amount of \$725,000 to be used for the Fishing Creek Area project, none of these funds had been expended as of December 31, 2023. Kentucky Infrastructure Authority also committed Cleaner Water grant funds in the amount of \$1,075,699 for the Nancy/Faubush Water Improvements Project Budget, the District had a grant receivable of \$237,296 at December 31, 2023.

Note 5 – Subsequent Events

Management has evaluated subsequent events through May 21, 2024, the date which the financial statements were available to be issued.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 6 – Cash and Investments

The carrying amount of the District's cash deposits was \$2,721,256 and \$2,651,828 for the years ending December 31, 2023 and 2022 respectively and the bank balances were \$2,733,826 and \$2,673,742. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. All of the District's deposits were either insured by FDIC or by collateral pledged by the financial institution. The District does not have a formal investment policy.

Note 7– Pension Plan

Governments providing defined benefit pensions are required to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The District participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by the state statute. Benefits of CERS members are calculated on the basis of age, final average salary, and service credit. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 7 – Pension Plan, Continued

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's average rate of pay and any dependent child will receive 50% of the decedent's average rate of pay up to 75% for three dependent children. Five years' service is required for nonservice related disability benefits.

There have been no assumption changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Employer contribution rates for CERS are determined by the KRS Board without further legislative review. The methods used to determine the employer contribution rates for KRS are specified in Kentucky Revised Statutes 61.565. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly. House Bill 362 was enacted in the 2018 legislative sessions that limits the annual increase in the CERS employer contribution over the prior fiscal year to 12% per year for the period July 1, 2018 to June 30, 2028, or until the full actuarial required contribution is met.

At December 31, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS.

District's proportionate share of the CERS net pension liability	\$ 1,480,574
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The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was .020481%.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 7 – Pension Plan, Continued

For the year ended December 31, 2023, the District recognized pension expense of \$294,273. 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
Difference between expected and actual experience in the measurement of the total pension liability	\$ 1,583	\$ 13,185
Net difference between projected and actual earnings on pension plan investments	79,560	163,505
Changes in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	165,107	-
District contributions subsequent to the measurement date	164,762	-
	\$ 411,012	\$ 176,690

The 2023 CERS employer contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows related to pensions will be amortized and recognized in pension expense as follows:

Year Ended	Net Deferred Outflows (Inflows)
12/31/2024	\$ 39,942
12/31/2025	(12,442)
12/31/2026	42,060
12/31/2027	-
12/31/2028	-
	\$ 69,560

Actuarial assumptions—Prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30:

Inflation	2.30%
Projected salary increases	3.30% to 10.30%
Investment rate of return, net of investment expense and inflation	6.25%

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 7 – Pension Plan, Continued

Mortality assumptions: Pre-retirement mortality uses PUB-2010 General Mortality table, for the nonhazardous systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality (non-disabled) uses 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 rate of 2019. Postretirement mortality (disabled) uses PUB-2010 disable mortality table, with a 4 year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. These mortality assumptions were adopted in 2019.

Discount rate: The discount rate used to measure the total pension liability was 6.25%.

Projected cash flows: The projection 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, the future contributions are projected assuming that each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy.

Long term rate of return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	4.07%
Total	<u>100.0%</u>	

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 7 – Pension Plan, Concluded

Municipal bond rate: The discount rate determination does not use a municipal bond rate.

Periods of projected benefit payments: The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefits payments to determine the total pension liability for each system.

Sensitivity Analysis: The following table presents the net pension liability of the District, calculated using the discount rates selected by CERS, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$1,850,534	\$1,480,574	\$1,174,587

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CERS. The effect of the net pension liability on the District's net position has been determined on the same basis used by Kentucky Retirement Systems.

Non-hazardous plan members are required to contribute 5% of their annual creditable compensation. The Western Pulaski County Water District is required to contribute at actuarially determined rates. The pension contribution rate was 23.40% for the year ended June 30, 2023 and 23.34% for the year ended June 30, 2024 for non-hazardous employees' annual creditable compensation. The OPEB contribution rate was 3.39% for the year ended June 30, 2023 and 0% for the year ended June 30, 2024. The contribution requirements of the plan members of the Western Pulaski County Water District, are established and may be amended by the Board of Trustees of KRS.

For the year ended December 31, 2023, the District's total covered payroll was approximately \$753,000. The District contributed approximately \$189,000 for pension OPEB benefits and employees contributed approximately \$38,000 for pension and OPEB benefits.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 8 – Other Postemployment Benefits (OPEB)

Kentucky Retirement Systems provides participants their proportionate share of the OPEB unfunded liability calculated by Gabriel, Roeder, Smith & Co (GRS) to be used in financial reports. KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov.

Plan Description: The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, District, school board, and any additional eligible local agencies electing to participate.

Benefits Provided: The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

Assumptions and plan provisions: The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. There were no other material assumption changes. Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide reimbursement of premiums for health plans other than those administered by KPPA.

Contributions: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to 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.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 8 – Other Postemployment Benefits (OPEB), Continued

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. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 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 amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Dollar Contribution for Fiscal Year 2022</u>		<u>Portion Paid by Insurance Fund</u>	
For Member participation date on or after July 1, 2003		As of June 30, 2022	
<u>System</u>	(in whole dollars)	<u>Years of service</u>	<u>% Paid by Insurance Fund</u>
KERS Non-hazardous	\$ 13.99	20+ years	100.00%
KERS Hazardous	\$ 20.99	15-19 years	75.00%
CERS Non-hazardous	\$ 13.99	10-14 years	50.00%
CERS Hazardous	\$ 20.99	4-9 years	25.00%
SPRS	\$ 20.99	Less than 4 years	0.00%

The projection of cash flows used to determine the single discount rate must include an assumption regarding the actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the 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 distributions from the retiree health insurance trust pay the employers’ portion of the blended premiums, not the employers’ portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

OPEB Plan Fiduciary Net Position: Detailed information about the Plan’s fiduciary net position is available in the separately issued KRS financial statements.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 8 – Other Postemployment Benefits (OPEB), Continued

At December 31, 2023, the District reported a liability of \$404,116 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. At June 30, 2022, the District's proportionate share was .020477%.

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of \$87,296 for the year ended December 31, 2023 and reported deferred inflows and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the OPEB liability	\$ 40,678	\$ 92,673
Net difference between projected and actual investment earnings on OPEB investments	53,173	58,849
Changes in assumptions and other inputs	63,914	52,665
Changes in proportion and differences between employer contributions and proportionate share of contributions	73,933	3,394
District contributions subsequent to the measurement date of the OPEB liability	38,439	-
	\$ 270,137	\$ 207,581

The deferred outflows resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

Year Ended	Net Deferred Outflows/(Inflows)
12/31/2024	\$ 22,614
12/31/2025	(5,150)
12/31/2026	6,653
12/31/2027	-
12/31/2028	-
Total	\$ 24,117

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 8 – Other Postemployment Benefits (OPEB), Continued

Actuarial Assumptions: The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2022 using generally accepted actuarial principles. The KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2021:

Assumed investment return	6.25%
Inflation factor	2.30%
Salary increases	3.30% to 10.30%

Mortality rates were based on a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	4.07%
Total	<u>100.00%</u>	

Discount Rate: The single discount rate of 5.70% for Non-hazardous employees was used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69% as reported in Fidelity Index’s “20 Year Municipal GO AA Index” as of June 30, 2022. The following presents the District’s proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS-Discount Rate	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 540,239	\$ 404,116	\$ 291,588

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 8 – Other Postemployment Benefits (OPEB), Concluded

Healthcare Trend Rate: The initial trend rate for participants under 65 years of age starts at 6.4% at January 1, 2023 and gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. For those over 65 years of age the trend rate starts at 6.3% at January 1, 2023 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The following table presents 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 healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Current Trend Rate</u>	<u>1% Increase</u>
Healthcare Cost Trent Rate	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 300,452	\$ 404,116	\$ 528,598

Note 9 – Deferred Inflows/Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2023 the District reported deferred outflows related to the pension and OPEB liabilities in the amount of \$681,149.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2023 the District reported deferred inflows related to the pension and OPEB liabilities in the amount of \$384,271.

Required Supplementary Information

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's portion of the net pension liability	0.020481%	0.018996%	0.015383%	0.014255%	0.01351%	0.01441%	0.01207%	0.01152%	0.01198%
District's proportionate share of net pension liability	\$ 1,480,574	\$ 1,211,144	\$ 1,179,863	\$ 1,002,561	\$ 822,557	\$ 843,637	\$ 594,353	\$ 495,402	\$ 388,639
District's covered-employee payroll	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000	\$ 345,000	\$ 340,000	\$ 260,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.62%	204.93%	220.95%	227.85%	220.52%	250.34%	172.28%	145.71%	149.48%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Pension Contributions
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 164,762	\$ 127,197	\$ 109,935	\$ 85,044	\$ 65,969	\$ 52,091	\$ 65,000	\$ 62,000	\$ 46,000
Contributions in relation to the contractually required contribution	<u>(164,762)</u>	<u>(127,197)</u>	<u>(109,935)</u>	<u>(85,044)</u>	<u>(65,969)</u>	<u>(52,091)</u>	<u>(65,000)</u>	<u>(62,000)</u>	<u>(46,000)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000	\$ 345,000	\$ 340,000	\$ 260,000
Contributions as a percentage of covered-employee payroll	21.88%	21.52%	20.59%	19.33%	17.69%	15.46%	18.84%	18.24%	17.69%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's portion of the net OPEB liability	0.020477%	0.018992%	0.153790%	0.014251%	0.01351%	0.01441%
District's proportionate share of net OPEB liability	\$ 404,116	\$ 363,592	\$ 371,356	\$ 239,695	\$ 363,592	\$ 289,751
District's covered-employee payroll	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	53.67%	61.52%	69.54%	54.48%	97.48%	85.98%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's OPEB Contributions
County Employees Retirement System
Last Ten Fiscal Years as of December 31st **

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 23,869	\$ 31,799	\$ 27,484	\$ 21,261	\$ 19,016	\$ 17,364
Contributions in relation to the contractually required contribution	<u>(23,869)</u>	<u>(31,799)</u>	<u>(27,484)</u>	<u>(21,261)</u>	<u>(19,016)</u>	<u>(17,364)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 753,000	\$ 591,000	\$ 534,000	\$ 440,000	\$ 373,000	\$ 337,000
Contributions as a percentage of covered- employee payroll	3.17%	5.38%	5.15%	4.83%	5.10%	5.15%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

WESTERN PULASKI COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Change in Net Position – Budget and Actual
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Water sales	\$ 3,695,928	\$ 3,820,235	\$ 124,307
Miscellaneous service revenues	<u>75,000</u>	<u>262,926</u>	<u>187,926</u>
Total operating revenues	<u>3,770,928</u>	<u>4,083,161</u>	<u>312,233</u>
Operating expenses:			
Salaries and wages	575,316	739,324	(164,008)
Purchased water	1,352,790	1,478,653	(125,863)
Materials and supplies	253,924	91,081	162,843
Contractual services	165,048	140,131	24,917
Transportation	39,904	73,766	(33,862)
Insurance	189,396	99,874	89,522
Other expenses	415,424	670,140	(254,716)
Depreciation	<u>586,406</u>	<u>599,422</u>	<u>(13,016)</u>
Total operating expenses	<u>3,578,208</u>	<u>3,892,391</u>	<u>(314,183)</u>
Operating income	<u>192,720</u>	<u>190,770</u>	<u>(1,950)</u>
Non-operating revenue (expenses):			
Rents from water property	26,900	-	(26,900)
Gain (Loss) on sale of property	-	(40,586)	(40,586)
Interest income and other	-	31,372	31,372
Interest expense on long-term debt	<u>(240,291)</u>	<u>(414,709)</u>	<u>(174,418)</u>
Total non-operating revenue (expenses)	<u>(213,391)</u>	<u>(423,923)</u>	<u>(210,532)</u>
Income before capital contributions	<u>(20,671)</u>	<u>(233,153)</u>	<u>(212,482)</u>
Capital contributions			
Grant revenue	50,000	310,596	260,596
Customer contributions	<u>50,000</u>	<u>215,082</u>	<u>165,082</u>
Total capital contributions	<u>100,000</u>	<u>525,678</u>	<u>425,678</u>
Increase/(Decrease) in net position	79,329	292,525	213,196
Net position:			
Beginning of year	<u>10,507,805</u>	<u>10,507,805</u>	<u>-</u>
End of year	<u>\$10,587,134</u>	<u>\$10,800,330</u>	<u>\$ 213,196</u>



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

To the Board of Commissioners
Western Pulaski County Water District
Somerset, 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 Western Pulaski County Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Western Pulaski County Water District's basic financial statements and have issued our report thereon dated May 21, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Western Pulaski County Water District's Response to Findings

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

Purpose of This Report

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

Campbell, Myers and Ratledge, PLLC

Glasgow, Kentucky

May 21, 2024

**Western Pulaski County Water District
Schedule of Findings and Responses
For the Year Ended December 31, 2023**

2023-001 Internal Control over Financial Reporting

Criteria: It is imperative that management and governance have accurate monthly financial reports to ensure they have a thorough understanding of the District's current financial condition.

Condition: During our audit it was noted that many receipts and disbursements were misclassified in the general ledger.

Cause: The District hired a new accounting firm to maintain the general ledger and provide monthly financial reports to management and commissioners. Management did not thoroughly review the financial information provided to them in order to detect and correct reporting errors and misclassifications.

Effect: The financial statements required many adjustments at year end to accurately report the financial position and results of operations of the District.

Recommendation: We recommend the District review and reconcile financial statements with the bookkeeper on a monthly basis and discuss proper classification of certain routine charges and adjustments to ensure more accurate financial reporting.

Management Response: Management understands the importance and will communicate more thoroughly with the bookkeeper.

