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SANITATION DISTRICT NO. 4
OF BOYD COUNTY, KENTUCKY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 7 and the Schedule of District's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 29 through 35 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.

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sanitation District No. 4 of Boyd County, Kentucky
Ashland, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sanitation District No. 4 of Boyd County, Kentucky (the "District"), as of and for the years ended June 30, 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 District, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

SANITATION DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

Our discussion and analysis of Sanitation District No. 4 of Boyd County, Kentucky's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023 and 2022. Please read it in conjunction with the accompanying basic financial statements. It is our intent that this discussion provides all parties interested in the District's financial condition, especially the users of the facilities, a better understanding of the District's operations and financial status.

The District reports its financial statements in a required model format issued by the Governmental Accounting Standards Board.

Financial Highlights

- As of June 30, 2023 and 2022, the District's assets and deferred outflows of $28,195,706 and $28,523,975 exceeded liabilities and deferred inflows of $20,740,244 and $21,408,146 by $7,455,462 and $7,115,829, respectively. This excess includes the net investment in capital assets of $5,509,285 and $4,880,668, restricted resources of $857,212 and $580,097, which represent money set aside to satisfy loan covenants, and unrestricted resources available to continue District operations into the next fiscal year of $1,088,965 and $1,655,064, respectively.

- Current assets (consisting primarily of unrestricted cash balances, accounts receivable, grant receivable) as of June 30, 2023 and 2022 were $2,441,191 and $3,303,100 and current liabilities payable from those funds were $1,421,349 and $1,261,529, respectively.

- During the year ended June 30, 2022, the District issued Refunding Bond Series 2021E in the amount of $1,225,000 to pay off the Bond Series 2003A. The refunding resulted in a net present value cash flow savings for the District of $254,781 over the life of the bond.

- During the year ended June 30, 2022, the District issued Bond Series 2022A in the amount of $7,665,000 to take over outstanding bonds in the name of the Boyd County Fiscal Court that were originally taken out on the District's behalf. The District also received an additional $2,000,000 as part of the bond issuance to use for future construction. In connection with taking over the debt from the Boyd County Fiscal Court, the District recorded an addition to capital assets in the amount of $5,297,722.

- During the year ended June 30, 2022, the District sold the building and property located at 1440 Booth Quillen Road and received $275,839 resulting in a gain on the sale in the amount of $173,067.

Overview of the Financial Statements

The District's basic financial statements include: (1) fund financial statements, and (2) notes to the financial statements. These financial statements present information about business-type activities, which consist principally of the fees the District charges its users to cover all or most of the cost of the services it provides.

Fund Financial Statements

The fund financial statements provide detailed information about the proprietary fund. When the District charges customers for the services it provides, these services are reported in the proprietary fund.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sanitation District No. 4 of Boyd County, Kentucky's basic financial statements. The schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating expenses are the responsibility of management and were derived from and relate 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 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 schedules of operating expenses 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 February 12, 2024, on our consideration of Sanitation District No. 4 of Boyd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
February 12, 2024

For the year ended June 30, 2023, the Districts operating revenues decreased from a year ago by $164,161 (2.69%) while operating expenses of all programs and services including depreciation increased by $407,848 (8.84%). Overall, net operating income was $911,019 for the fiscal year 2023 compared to $1,483,028 in fiscal year 2022.

Treatment expenses were $3,918,277 for the year ended June 30, 2023 compared to $3,719,969 for the year ended June 30, 2022.

Financial Analysis of the District's Proprietary Fund

At June 30, 2023 and 2022, the District's proprietary fund reported total net position of $7,455,462 and $7,115,829; an increase of $339,633 or 4.77%.

Capital Assets

The District made several capital asset purchases with a total cost of $694,625. These items were purchased by the general fund with their prior cash balance.

At June 30, 2023 and 2022, the District had $21,819,546 and $21,843,306 in capital assets, net of depreciation, respectively.

Debt

At June 30, 2023 and 2022, the District had bonds and notes payable to Kentucky Rural Water Finance Corporation and Kentucky Bond Corporation with remaining balances of $18,310,261 and $18,962,638 (net of discounts and premiums), respectively.

During the year ended June 30, 2022, the District issued Refunding Bond Series 2021E in the amount of $1,225,000 to pay off the Bond Series 2003A and Bond Series 2022A in the amount of $7,665,000 to take over outstanding bonds in the name of the Boyd County Fiscal Court that were originally taken out on the District's behalf.

Economic Factors and Next Year's Rates

In considering the District's budget for year 2024, the District expects no significant changes, except for the additional customers related to the line expansion. In addition, rates will be reevaluated due to increased costs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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's superintendent, at Sanitation District No. 4 of Boyd County, Kentucky, 239 W. Little Garner Road, Ashland, KY, 41102, telephone number (606) 928-3936.

Net position for the period ending June 30, 2023 as compared to June 30, 2022

	June 30, 2023	June 30, 2022
Current Assets	$ 2,441,191	$ 3,303,100
Noncurrent Assets	25,392,795	24,783,133
Total Assets	27,833,986	28,086,233
Deferred Outflows	361,720	437,742
Current Liabilities	1,421,349	1,261,529
Noncurrent Liabilities	19,152,342	19,814,941
Total Liabilities	20,573,691	21,076,470
Deferred Inflows	166,553	331,676
Net position		
Net investment in capital assets	5,509,285	4,880,668
Restricted	857,212	580,097
Unrestricted	1,088,965	1,655,064
Total Net position	$ 7,455,462	$ 7,115,829

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2023 and 2022, respectively.

	2023 Amount	2022 Amount
Revenues:		
Services	$ 5,930,108	$ 6,089,415
Miscellaneous income	781	5,635
Grant income	84,753	338,296
Gain (loss) on disposal of capital assets	(141,696)	173,067
Interest income	74,360	1,349
Total revenues	5,948,306	6,607,762
Expenses:		
Treatment expenses	3,918,277	3,719,969
Administration expenses	515,698	409,923
Depreciation	576,689	475,399
Amortization	9,206	6,731
Interest expense	593,603	563,617
Total expenses	5,613,473	5,175,639
Income before capital contributions	334,833	1,432,123
Capital contributions	4,800	2,000
Revenue over (under) expenses	$ 339,633	$ 1,434,123

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District as a whole and about its activities in a way that helps answer this question.

Our discussion begins with an analysis of overall revenues and expenses and their treatment. An overwhelming majority of the District's revenue is received from charges for services.

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating revenues:		
Services	$ 5,930,108	$ 6,089,415
Miscellaneous income	781	5,635
Total operating revenues	5,930,889	6,095,050
Operating expenses:		
Treatment expenses	3,918,277	3,719,969
Administrative expenses	515,698	409,923
Depreciation	576,689	475,399
Amortization	9,206	6,731
Total operating expenses	5,019,870	4,612,022
Operating income	911,019	1,483,028
Nonoperating revenues (expenses):		
Interest income	74,360	1,349
Interest expense	(593,603)	(563,617)
Gain (loss) on disposal of capital asset	(141,696)	173,067
Grant income	84,753	338,296
Total nonoperating revenue (expense)	(576,186)	(50,905)
Income before capital contributions	334,833	1,432,123
Tap fees	4,800	2,000
Change in net position	339,633	1,434,123
Net position, Beginning of the year	7,115,829	5,681,706
Net position, End of year	$ 7,455,462	$ 7,115,829

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

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
STATEMENTS OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,332,581	$ 2,059,777
Accounts receivable (Net of allowance for bad debt of $190,551 and $190,551, respectively)	1,106,994	1,242,778
Grant receivable	-	-
Other assets	1,616	545
Total current assets	2,441,191	3,303,100
Noncurrent assets:		
Restricted cash and cash equivalents	3,573,249	2,939,827
Capital assets, net of accumulated depreciation	21,819,546	21,843,306
Total noncurrent assets	25,392,795	24,783,133
Total assets	27,833,986	28,086,233
Deferred Outflows of Resources		
Deferred outflows - OPEB related	150,598	211,801
Deferred outflows - pension related	211,122	225,941
Total deferred outflows of resources	361,720	437,742
Total assets and deferred outflows	$ 28,195,706	$ 28,523,975
Liabilities		
Current liabilities:		
Accounts payable	$ 443,170	$ 464,630
Accrued payroll liabilities	6,312	4,931
Accrued interest payable	171,994	129,455
Accrued wages payable	-	-
Accrued other payroll payable	2,123	930
Bonds payable - current	797,750	661,583
Total current liabilities	1,421,349	1,261,529
Noncurrent liabilities:		
Bonds payable, net of current portion, less - bond issuance discounts, plus - bond issuance premiums	17,512,511	18,301,055
Net OPEB liability	351,621	349,540
Net pension liability	1,288,210	1,164,346
Total noncurrent liabilities	19,152,342	19,814,941
Total liabilities	20,573,691	21,076,470
Deferred Inflows of Resources		
Deferred inflows OPEB related	136,913	163,381
Deferred inflows pension related	29,640	168,295
Total deferred inflows of resources	166,553	331,676
Net Position		
Net investment in capital assets	5,509,285	4,880,668
Restricted for loan repayment	857,212	580,097
Unrestricted	1,088,965	1,655,064
Total net position	7,455,462	7,115,829
Total liabilities, deferred inflows and net position	$ 28,195,706	$ 28,523,975

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

The financial statements of the Sanitation District No. 4 of Boyd County, Kentucky ("the District") have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sanitation District No. 4 of Boyd County, Kentucky is a Sanitation District created and existing pursuant to the provisions of Section 220.010 through 220.54 of the Kentucky Revised Statutes.

The District was created by ordinance of the Boyd County Fiscal Court on December 30, 1978, duly certified and recorded as provided in KRS 220.110. The purpose of the District is to provide sanitation sewer services to a portion of Boyd County, Kentucky.

The District is governed by a Board of Directors consisting of three members, who are appointed by the County Judge of Boyd County, Kentucky. The Board of Directors is a corporate body, having the right, power and duty to make provision for "the collection and disposal of sewage and other liquid wastes produced within the District and to establish rates or charges and make reasonable regulations with regard to such service." It is authorized to finance its proper undertakings through the issuance of "Sanitation District (Revenue) Bonds."

Under Section 115 of the Internal Revenue Code of 1986, the District is exempt from income taxes; therefore, no provision has been made.

Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Standards*, include whether:

- the District is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

		2023		2022
Cash flows from operating activities:				
Receipts from customers	$	6,066,673	$	6,088,494
Payments to supplies		(3,854,205)		(3,599,532)
Payments to employees		(562,883)		(415,555)
Net cash provided by operating activities		1,649,585		2,073,407
Cash flows from noncapital financing activities:				
Grant income		84,753		367,525
Net cash provided by noncapital financing activities		84,753		367,525
Cash flows from capital and related financing activities:				
Proceeds from issuance of debt		-		8,826,063
Principal paid on long term debt		(661,583)		(1,669,167)
Interest paid on long term debt		(551,064)		(517,801)
Capital contributions		4,800		2,000
Proceeds from sale of capital assets		-		275,839
Purchases of capital assets		(694,625)		(5,469,094)
Net cash provided by (used for) capital and related financing activities		(1,902,472)		1,447,840
Cash flows from investing activities:				
Interest income		74,360		1,349
Net cash provided by investing activities		74,360		1,349
Net increase (decrease) in cash and cash equivalents		(93,774)		3,890,121
Cash and cash equivalents, Beginning of the year		4,999,604		1,109,483
Cash and cash equivalents, End of year	$	4,905,830	$	4,999,604
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	911,019	$	1,483,028
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		576,689		475,399
Amortization		9,206		6,731
Net OPEB adjustment		36,816		14,083
Net pension adjustment		28		64,077
Change in assets and liabilities:				
Accounts receivable		135,784		(6,556)
Other assets		(1,071)		803
Accounts payable		(21,460)		39,842
Accrued payroll liabilities		2,574		1,800
Accrued wages		-		(5,800)
Total adjustments		738,566		590,379
Net cash provided by operating activities	$	1,649,585	$	2,073,407
Reconciliation of cash:				
Cash and cash equivalents	$	1,332,581	$	2,059,777
Restricted cash and cash equivalents		3,573,249		2,939,827
Cash and cash equivalents. End of year	$	4,905,830	$	4,999,604

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

Depreciation expense for the years ended June 30, 2023 and 2022 was $576,689 and $475,399, respectively.

Capital additions, improvements and major renewals are capitalized, whereas maintenance, repairs and minor renewals are charged to expenses when they are incurred. In the case of disposals, the assets and related reserves are removed from the accounts, and the net amount, less any proceeds from disposals, is charged or credited to revenues.

Long-Term Obligations. Long-term liabilities reported in the statement of net position include principal outstanding on notes.

Net Position. Net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, represents capital assets, less accumulated depreciation, less outstanding principal of related debt. Restricted net position reflects funds held in various reserve accounts to meet the various covenants as may be specified and defined in the revenue bond and note indentures or as deemed appropriate by management. All other net position is considered unrestricted.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred. Bond issuance costs were $-0- and $148,025 for the years ended June 30, 2023 and 2022, respectively.

Long-Term Liabilities

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net position. Initial issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

Interest Expense

Interest expense incurred during the construction of financed projects is capitalized during the construction period. Interest expense was $593,603 and $563,617 for the years ended June 30, 2023 and 2022, respectively.

Encumbrances

The District does not use a system of encumbrances in their accounting and reporting methods.

Capital Grants/Contributions

Grants that are restricted to the purchase of property, plant and equipment are recorded as other income, per GASB 33. The District received capital grants of $-0- and $-0- for the years ended June 30, 2023 and 2022, respectively.

Tap fees are also recorded as capital contribution income, per GASB 33. These fees represent the increased value in property, plant and equipment resulting from the addition of customers to the utility distribution system. The total amount of tap fees was $4,800 and $2,000 for the years ended June 30, 2023 and 2022, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net 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 that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Basis of Accounting

The District's operations are classified as an Enterprise Fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The Enterprise Fund is accounted for on the accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. The principal operating revenue of the District are charges to customers for sales and services. The District also recognizes connection fees intended to recover the costs of connecting new customers to the utility system as operating revenue. Operating expenses for an Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for account balances deemed not collectible, and the time period used to depreciate the capital assets. Actual results could differ from estimated amounts.

Advertising Expense

Advertising expense for the years ended June 30, 2023 and 2022 was $3,362 and $2,507, respectively.

Assets, Liabilities, and Net Position

Cash and cash equivalents. For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, cash on deposit with banks, and certificates of deposit with an original maturity of less than three months (including amounts held in restricted asset accounts).

Accounts Receivable. Accounts receivable consists of billings of $1,297,545 and $1,433,329 to the residents of Boyd County, Kentucky and the Federal Correctional Institution of Ashland, Kentucky, which were not collated as of June 30, 2023 and 2022, respectively. An allowance for doubtful accounts is used on the indirect write off method and monitored for non-pay customers. The balance for doubtful accounts for June 30, 2023 and 2022 was $190,551 and $190,551, respectively.

Grant Receivable. Grant receivable consists of amounts disbursed that have not yet been reimbursed with approved grant funds.

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, including reserve requirements, are classified as restricted assets on the statement of net position since their use is limited by applicable bond and note indentures.

Capital Assets. Expenditures for items having a useful life greater than one year are capitalized. Capital assets are stated at historical cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method as follows:

Buildings and property	10-60 years
Furniture, fixtures and equipment	3-10 years

- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs were effective for the District beginning with its year ending June 30, 2023. Requirements related to other requirements related to derivative instruments will be effective for the District beginning with its year ending June 30, 2024. Adoption of the provisions required thru the year ending June 30, 2023 did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 will be effective for accounting changes and error corrections made by the District beginning with its year ending June 30, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 will be effective for the District beginning with its year ending June 30, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

In addition to liabilities, the Statements of Net 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 that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pension

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

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 was effective for the District beginning with its year ending June 30, 2023. The adoption of this standard did not have a material effect on the District's financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
    - 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
    - 87, Leases,
    - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
    - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and

Accumulated depreciation:				
Lines and extensions	3,134,406	140,854	-	3,275,260
2015A BCFC sewer lines	1,130,773	161,539	-	1,292,312
2022A BCFC sewer lines	26,489	105,954	-	132,443
Route 5 Expansion	174,923	99,956	-	274,879
Equipment	657,420	34,394	-	691,814
Vehicles	315,949	24,275	-	340,224
Office building	311,941	9,717	-	321,658
	5,751,901	576,689	-	6,328,590
	$ 21,843,306	$ 117,936	$ 141,696	$ 21,819,546

June 30, 2022	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Non-depreciable:				
Land	$ 30,717	$ -	$ -	$ 30,717
Construction in progress	-	141,696	-	141,696
Depreciable:				
Lines and extensions	7,582,394	-	-	7,582,394
2015A BCFC sewer lines	8,076,931	-	-	8,076,931
2022A BCFC sewer lines	-	5,297,722	-	5,297,722
Route 5 Expansion	4,997,812	-	-	4,997,812
Equipment	692,383	29,676	-	722,059
Vehicles	315,947	-	-	315,947
Office building	624,863	-	194,934	429,929
	22,321,047	5,469,094	194,934	27,595,207
Accumulated depreciation:				
Lines and extensions	2,993,552	140,854	-	3,134,406
2015A BCFC sewer lines	969,234	161,539	-	1,130,773
2022A BCFC sewer lines	-	26,489	-	26,489
Route 5 Expansion	74,967	99,956	-	174,923
Equipment	630,574	26,846	-	657,420
Vehicles	311,508	4,441	-	315,949
Office building	388,829	15,274	92,162	311,941
	5,368,664	475,399	92,162	5,751,901
	$ 16,952,383	$ 4,993,695	$ 102,772	$ 21,843,306

(5) LONG-TERM DEBT

Revenue bonds and notes payable consist of the following at June 30, 2023 and 2022:

	2023	2022
$8,715,000 bonds payable in variable annual installments through January 1, 2038, with an interest rate from 2.00% to 3.75%.	$ 6,280,000	$ 6,637,083
$1,225,000 bonds payable in variable annual installments through February 1, 2033, with a fixed interest rate of 2.00%.	1,115,000	1,215,000
$7,665,000 bonds payable in variable annual installments through February 1, 2043, with an interest rate from 3.00% to 3.50%.	7,515,000	7,665,000
$3,730,000 bonds payable in variable annual installments through January 1, 2058, with an interest rate of 1.875%.	3,571,500	3,626,000
	18,481,500	19,143,083

(2) CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's funds on deposit with the banks may not be returned to the District.

At June 30, 2023, the carrying amount of the District's deposits was $4,905,830 and the bank balances totaled $4,912,074. The bank balances are categorized as follows:

Amount insured by the FDIC	$	964,145
Amount collateralized with securities held by the bank in the District's name		3,947,929
Uncollateralized		-
Total	$	4,912,074

(3) RESTRICTED ASSETS AND RESERVE NET ASSETS

The District has a portion of its net assets restricted in connection with assets restricted in use, bond interest and redemption. Restricted net assets includes the excess of restricted cash over liabilities payable from restricted cash.

As of June 30, 2023 and 2022, restricted cash was as follows:

	2023	2022
Reserve Fund	$ 202,903	$ 197,550
Depreciation Reserve	660,819	359,730
Funds for Construction	2,055,219	2,000,000
Bond and Interest	654,308	382,547
	$ 3,573,249	$ 2,939,827

(4) CAPITAL ASSETS

Changes in Capital Assets. The following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2023 and 2022:

June 30, 2023	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable:				
Land	$ 30,717	$ 425,207	$ -	$ 455,924
Construction in progress	141,696	-	141,696	-
Depreciable:				
Lines and extensions	7,582,394	-	-	7,582,394
2015A BCFC sewer lines	8,076,931	-	-	8,076,931
2022A BCFC sewer lines	5,297,722	-	-	5,297,722
Route 5 Expansion	4,997,812	-	-	4,997,812
Equipment	722,059	85,416	-	807,475
Vehicles	315,947	184,002	-	499,949
Office building	429,929	-	-	429,929
	27,595,207	694,625	141,696	28,148,136

Bond and Interest Sinking Fund - The Governmental Agency is obligated upon the issuance of the obligations to provide for debt service requirements of the obligations.

If the Governmental Agency, for any reason, shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal and interest due on the outstanding bonds, as same fall due, such excess may be used for redemption of prepayment of any outstanding bonds, subject to the terms and conditions set forth therein, prior to maturity.

The 2015A bond issuance set up a Sinking Fund that was fully funded at the time of issuance. As of June 30, 2023 and 2022 the Sinking Fund related 2015A bond issuance has total funds in the amount of $116,790 and $113,345, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

The 2019 bond issuance provides that monthly payments be made into this account that are equal to one-twelfth (1/12) of the next debt service requirement. As of June 30, 2023 and 2022 the Sinking Fund related to the Route 5 Expansion has total funds in the amount of $255,550 and $137,746, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

The 2021E bond issuance provides that monthly payments be made into this account that are equal to one-twelfth (1/12) of the next debt service requirement. As of June 30, 2023 and 2022 the Sinking Fund related to the 2021E issuance has total funds in the amount of $56,239 and $53,245, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

The 2022A bond issuance provides that monthly payments be made into this account that are equal to one-twelfth (1/12) of the next debt service requirement. As of June 30, 2023 and 2022 the Sinking Fund related to the 2022A issuance has total funds in the amount of $225,730 and $75,944, respectively. The Sinking Fund is in compliance with the Kentucky Rural Water Finance Corporation requirement.

Revenue Fund - The Governmental Agency covenants and agrees that it will deposit in the Revenue Fund, promptly as received from time to time, all revenues of the District. The moneys in the Revenue Fund shall be used, disbursed and applied by the Governmental Agency only for the purpose in the manner and order of priorities specified in Assistance Agreement, all as permitted by the Act, and in accordance with previous contractual commitments.

Operation and Maintenance Fund - Sums sufficient to meet current expenses of operating and maintaining the system shall be transferred monthly from the Reserve Fund and deposited into the Operation and Maintenance Fund. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month pursuant to the Governmental Agency's annual budget.

Surplus Funds - Subject to the provisions for the disposition of the income and revenues of the System as set forth herein above, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date to the Sinking Fund to be applied to the maximum extent feasible to the prompt purchase or redemption of Outstanding Bonds.

Depreciation Reserve - The District has temporarily suspended the designated payment for $22,000 a month to be placed in the depreciation reserve account to be used for major repairs and maintenance of the sewer system. This account is restricted by the Board of Directors to offset for depreciation expense of the system itself. The balance of the depreciation reserve at June 30, 2023 and 2022 was $660,819 and $359,730, respectively.

Less portion classified as current liability	(797,750)	(661,583)
Less discount and premiums on bonds, net	(171,239)	(180,445)
	$ 17,512,511	$ 18,301,055

June 30, 2023	Beginning Balance	Additional Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Bonds payable	$ 19,143,083	$ -	$ (661,583)	$ 18,481,500	$ 797,750
Plus: Premiums on bonds	25,585	-	(2,417)	23,168	-
Less: Discounts on bonds	(206,030)	-	11,623	(194,407)	-
Total long-term liabilities	$ 18,962,638	$ -	$ (652,377)	$ 18,310,261	$ 797,750

June 30, 2022	Beginning Balance	Additional Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Bonds payable	$ 11,922,250	$ 8,890,000	$ (1,669,167)	$ 19,143,083	$ 661,583
Plus: Premiums on bonds	-	27,197	(1,612)	25,585	-
Less: Discounts on bonds	(123,239)	(91,134)	8,343	(206,030)	-
Total long-term liabilities	$ 11,799,011	$ 8,826,063	$ (1,662,436)	$ 18,962,638	$ 661,583

During the year ended June 30, 2022, the District issued Refunding Bond Series 2021E in the amount of $1,225,000 to pay off the Bond Series 2003A. The refunding resulted in a net present cashflow savings for the District of $254,781 over the life of the bond.

During the year ended June 30, 2022, the District issued Bond Series 2022A in the amount of $7,665,000 to take over outstanding bonds in the name of the Boyd County Fiscal Court that were originally taken out on the District's behalf. The District also received an additional $2,000,000 as part of the bond issuance to use for future construction use. In connection with taking over the debt from the Boyd County Fiscal Court, the District recorded an addition to capital assets in the amount of $5,297,722.

The annual requirements to amortize the District's bond indebtedness as of June 30, 2023 (including interest payments) are as follows:

Fiscal Year	Principal	Interest	Servicing Fees	Total
2024	$ 797,750	$ 540,804	$ 39,225	$ 1,377,779
2025	822,167	518,555	37,371	1,378,093
2026	846,250	495,595	35,462	1,377,307
2027	876,167	471,932	33,495	1,381,594
2028	902,333	447,230	31,461	1,381,024
2029 - 2033	4,943,250	1,026,083	124,501	6,093,834
2034 - 2038	4,418,083	1,054,871	63,738	5,536,692
2039 - 2043	2,855,500	474,879	21,963	3,352,342
2044 - 2048	569,500	168,722	-	738,222
2049 - 2053	668,500	111,731	-	780,231
2054 - 2058	782,000	44,869	-	826,869
	$ 18,481,500	$ 5,355,271	$ 387,216	$ 24,223,987

The 2015A and 2022A bond issues were sold at discount of $166,735 and $91,135, respectively. The 2021E bond issuance was sold at a premium of $27,197. These amounts are being amortized over the life of the bonds.

net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022 and 2021, the District's proportion was 0.017820% and 0.018262%, respectively.

For the year ended June 30, 2023, the District recognized pension expense of approximately $140,915. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,377	$ 11,472
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	33,025	-
Changes in proportion and differences between District contributions and proportionate share of contributions	43,767	18,168
District contributions subsequent to the measurement date	132,953	-
	$ 211,122	$ 29,640

The $132,953 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year	
2024	$ 28,593
2025	(5,834)
2026	(10,825)
2027	36,595
	$ 48,529

For the year ended June 30, 2022, the District recognized pension expense of approximately $124,013. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13,370	$ 11,301
Changes of assumptions	15,627	-
Net difference between projected and actual earnings on investments	-	155,188
Changes in proportion and differences between District contributions and proportionate share of contributions	92,627	1,806
District contributions subsequent to the measurement date	104,317	-
	$ 225,941	$ 168,295

Debt Service Reserve Fund - The 2021E bond issuance provides that debt service reserve fund be established. As of June 30, 2023 and 2022, the debt service reserve fund related to the 2021E issuance has total funds in the amount of $44,958 and $44,250, respectively.

The 2022A bond issuance provides that debt service reserve fund be established. As of June 30, 2023 and 2022, the debt service reserve fund related to the 2022A issuance has total funds in the amount of $157,945 and $153,300, respectively.

(6) CONCENTRATIONS OF CREDIT

The District's revenues are generated from services extended to residents and customers in Boyd County, Kentucky. The billings to the Federal Correction Institution in Boyd County, Kentucky account for a total of 35.5% of total revenues for the year ended June 30, 2023. Management believes the nature of the contracts with all customers is adequate to minimize credit risk.

(7) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District provides for risk financing by purchasing coverage from commercial insurance companies. Commercial coverage with respect to workers' compensation is provided under a retrospectively rated contract in which the initial premium is adjusted based upon the actual experience during the period of coverage.

(8) RETIREMENT PLANS

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) of the member's salary. For the year ending June 30, 2022, employers were required to contribute 26.95% (21.17% - pension, 5.78% - insurance) of the member's salary. During the year ending June 30, 2023 and 2022, the District contributed $132,953 and $104,317 to the CERS pension plan, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the

Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

2023	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	$ 1,610,103	$ 1,288,210	$ 1,021,978

2022	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	$ 1,493,329	$ 1,164,346	$ 892,120

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

Payables to the pension plan: At June 30, 2023 and 2022, there was a total payable to the CERS pension plan of $12,609 and $9,830, respectively.

(9) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

The $104,317 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year		
2023	$	30,381
2024		3,583
2025		(32,039)
2026		(48,596)
	$	(46,671)

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	29 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disable retired members, 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 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real 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 rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%

Of the total amount reported as deferred outflows of resources related to OPEB, $19,261 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024.

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

Year		
2024	$	5,521
2025		5,197
2026		(16,250)
2027		(44)
Thereafter		-
	$	(5,576)

For the year ended June 30, 2022, the District recognized OPEB expense of $52,899, including an implicit subsidy of $10,335. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

2022	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	54,965	$	104,361
Changes of assumptions		92,670		325
Net difference between projected and actual earnings on investments		-		54,681
Changes in proportion and differences between District contributions and proportionate share of contributions		35,685		4,014
District contributions subsequent to the measurement date		28,481		-
	$	211,801	$	163,381

Of the total amount reported as deferred outflows of resources related to OPEB, $28,481 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023.

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

Year		
2023	$	16,883
2024		8,560
2025		8,214
2026		(13,718)
Thereafter		-
	$	19,939

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2023, CERS allocated 3.39% of the 26.79% actuarially required contribution rate paid by employers for funding the healthcare benefit. For the year ending June 30, 2022, CERS allocated 5.78% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2023 and 2022, the District contributed $19,261 and $28,481, respectively, to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

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

At June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30 2022 and 2021, the District's proportion was 0.017817% and 0.018258%, respectively.

For the year ended June 30, 2023, the District recognized OPEB expense of $59,517, including an implicit subsidy of $11,374. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 35,394	$ 80,635
Changes of assumptions	55,611	45,823
Net difference between projected and actual earnings on investments	14,271	-
Changes in proportion and differences between District contributions and proportionate share of contributions	26,061	10,455
District contributions subsequent to the measurement date	19,261	-
	$ 150,598	$ 136,913

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Discount rate - The discount rate used to measure the total OPEB liability was 5.70%. The discount rate determination used an expected rate of return 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. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

2023	1% Decrease (4.70%)	Current discount rate (5.70%)	1% Increase (6.70%)
District's proportionate share of the net OPEB liability	$ 470,061	$ 351,621	$ 253,710

2022	1% Decrease (4.20%)	Current discount rate (5.20%)	1% Increase (6.20%)
District's proportionate share of the net OPEB liability	$ 479,916	$ 349,540	$ 242,545

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	29 Years, Closed
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%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB- 2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013- 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 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

Assumption Changes - The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. 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 the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

The long-term expected rate of return was determined by using a building-block method in which 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 rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

REQUIRED SUPPLEMENTARY INFORMATION

2023		1% Decrease		Current trend rate		1% Increase
District's proportionate share of the net OPEB liability	$	261,422	$	351,621	$	459,932

2022		1% Decrease		Current trend rate		1% Increase
District's proportionate share of the net OPEB liability	$	251,627	$	349,540	$	467,723

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

Payables to the OPEB plan: At June 30, 2023 and 2022, there was a total payable to the CERS OPEB plan of $1,827 and $2,684, respectively.

(10) KENTUCKY INFRASTRUCTURE AUTHORITY

On November 21, 2022, the District was awarded a Kentucky Infrastructure Authority grant in the amount of $856,000 to put in a new pump station at Camp Landing. As of June 30, 2023, the project is still in the pre-bid phase and no funds have been spent from the grant.

(11) SUBSEQUENT EVENTS

Subsequent to year end, the District entered into a contract with Boxx Modular for a modular building in the amount of $404,220. The District also purchased a 2023 Dodge Ram 2500 in the amount of $67,740. Both of the subsequent purchases were paid with the District's cash and were not financed.

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
Contractually required contribution	$ 132,953	$ 104,317	$ 88,490	$ 81,666	$ 68,113	$ 55,473	$ 53,219	$ 31,573	$ 34,765	$ 45,678
Contributions in relation to the contractually required contribution	132,953	104,317	88,490	81,666	68,113	55,473	53,219	31,573	34,765	45,678
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 568,175	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498	$ 254,215	$ 272,666	$ 332,446
District's contributions as a percentage of its covered payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
Contractually required contribution	$ 19,261	$ 28,481	$ 21,824	$ 20,142	$ 22,088	$ 18,006	$ 18,045			
Contributions in relation to the contractually required contribution	19,261	28,481	21,824	20,142	22,088	18,006	18,045			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
District's covered payroll	$ 568,175	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498			
District's contributions as a percentage of its covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

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

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:									
District's proportion of the net pension liability	0.017820%	0.018262%	0.016519%	0.016648%	0.015457%	0.015670%	0.015270%	0.016140%	0.014491%
District's proportionate share of the net pension liability	$ 1,288,210	$ 1,164,346	$ 1,266,994	$ 1,170,861	$ 941,378	$ 917,155	$ 751,596	$ 693,823	$ 470,000
District's covered payroll	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498	$ 254,215	$ 272,666	$ 332,446
District's proportionate share of the net pension liability as a percentage of its covered payroll	261.428%	253.948%	299.427%	278.821%	245.726%	240.409%	295.654%	254.459%	141.376%
Plan fiduciary net position as a percentage of the total pension liability	52.420%	57.330%	47.810%	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:									
District's proportion of the net OPEB liability	0.017817%	0.018258%	0.016515%	0.016644%	0.015456%	0.015670%			
District's proportionate share of the net OPEB liability	$ 351,621	$ 349,540	$ 398,787	$ 279,945	$ 274,418	$ 315,000			
District's covered payroll	$ 492,759	$ 458,497	$ 423,140	$ 419,932	$ 383,101	$ 381,498			
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.358%	76.236%	94.245%	66.664%	71.631%	82.569%			
Plan fiduciary net position as a percentage of the total OPEB liability	60.950%	62.910%	51.670%	60.440%	57.620%	53.300%			

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

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

CERS

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years 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 Rate of Return	6.25%
Mortality	System specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

(3) CHANGES OF BENEFITS

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2022 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

(1) CHANGES OF ASSUMPTIONS

CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality Table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality Table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) 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.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

Remaining Amortization Period	30 years, 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 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 6.30% on January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2022 is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service 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.

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2023

(1) CHANGES OF ASSUMPTIONS

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30 % (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality Table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality Table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) 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.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2022:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay

SUPPLEMENTAL INFORMATION

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

KG
SG
Kelley Galloway
Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

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 Directors
Sanitation District No. 4
of Boyd County, Kentucky
Ashland, 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 Sanitation District No. 4 of Boyd County, Kentucky (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (see 2023-001).

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Treatment expenses:		
Treatment	$ 1,960,993	$ 2,098,491
Wages	599,727	487,915
Chemicals	273,049	231,630
Employee benefits	345,377	363,261
Utilities	169,212	185,850
Repairs	131,724	162,395
Surcharges	70,074	86,347
Payroll taxes	37,467	30,130
Fuel	24,354	19,435
Miscellaneous	17,313	4,949
Billing services	28,414	29,423
Equipment Rental	45,591	4,417
Laboratory costs	16,024	12,416
Contract labor	198,958	3,310
Total treatment expenses	$ 3,918,277	$ 3,719,969
Administration expenses:		
Bad debt expense	$ 138,080	$ 127,972
Insurance	55,994	41,440
Legal and professional	187,318	151,385
Office supplies	29,485	18,640
Postage and delivery	35,379	16,982
Directors fees	16,200	16,200
Bank charges	3,208	8,722
Credit / debit card fees	-	10,150
License and permits	2,851	3,331
Miscellaneous	38,206	5,136
Dues and subscriptions	942	906
Training expense	(183)	2,829
Meals and entertainment	1,886	753
Bond expense	2,970	2,970
Advertising	3,362	2,507
Total administrative expenses	$ 515,698	$ 409,923

SANITATION DISTRICT NO. 4 OF BOYD COUNTY, KENTUCKY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2023

(A) SUMMARY OF AUDIT RESULTS

- The auditor's report expresses an unmodified opinion on the financial statements of the Sanitation District No. 4 of Boyd County, Kentucky.
- A material weakness relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards.*
- No instances of noncompliance material to the financial statements of Sanitation District No. 4 of Boyd County, Kentucky were disclosed during the audit.

(B) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

<u>SEGREGATION OF DUTIES (Finding 2023-001)</u>

Condition: Due to the limited number of employees, an adequate segregation of duties has not been established. Specifically, one individual has duties relating to cash receipts, cash disbursements, payroll, and all other accounting and recording activities.

Criteria: Effective internal controls would dictate that many of these functions be separated and the board oversee all cash accounts in order to adequately protect the District's assets.

Effect: An improper segregation of duties can subject the District to intentional or unintentional losses due to errors or irregularities.

Recommendation: The District should continue to review the internal control structure and segregate duties wherever possible. Additionally, the activity in all cash accounts should be reviewed by the board.

Management's Response and Corrective Action: Management and the Board of Directors will remain aware of the integrity of the employees and provide appropriate supervision.

Report on Compliance and Other Matters

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

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
February 12, 2024